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**YOU MIGHT REGRET THAT: UNPACKING THE
REPUTATIONAL CONSEQUENCES OF CORPORATE
IRRESPONSIBILITY**

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**A thesis submitted in the partial fulfilment of the requirements
for the degree of Doctor of Philosophy**

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Declaration

This thesis is submitted to the University of Warwick in support of my application for the degree of Doctor of Philosophy in Marketing. It has been composed by myself and has not been submitted in any previous application for any degree at any other university.

ABSTRACT

Utilising data on a sample of large US firms, I explore the relationship between corporate irresponsibility and reputation penalties. I find that reputation, derived from the assessments of managers and market analysts, is infrequently influenced by observations of corporate irresponsibility and that different 'types' of irresponsibility events have different underlying effects on perceptions of the firm. Specifically, my results demonstrate that variance within firms' prior social responsibility perceptions, celebrity status, history of irresponsibility and financial performance 'shape' stakeholder attributions of irresponsibility and the subsequent reputation penalties associated with these. Moreover, the results of my empirical analysis suggest that reputations tend to be more resilient than previously purported by extant literature and that reputational assessments appear to be largely 'path dependent', in that stakeholders' prior assessments of the firm may determine the impact of revelations of corporate irresponsibility.

INTRODUCTION

In spite of over 30 years' worth of encouragement for firms to consider their broader social responsibilities, it seems that irresponsible conduct is no less frequent or severe than it has been historically. Cases of corruption (Enron, Siemens), fraud (WorldCom), exploitation (Nike), price fixing (Apple e-books), discrimination (Wal-Mart), human rights abuse (Rana Plaza), environmental damage (Deepwater Horizon) and negligence (sub-prime mortgage crisis) have come to dominate accounts of modern corporate activities in the media. News of corporate misconduct can place significant unwanted attention on a firm's past and present business activities. In response to this, corporate irresponsibility is widely assumed by the academic and business community to be hazardous to reputations and therefore, worth avoiding. Fombrun, Gardberg and Barnett (2000: 87) warn of "impoverished revenues, decreased ability to attract financial capital, and reduced appeal to current and potential employees" resulting from the loss of firm reputation - whilst Warren Buffet, Chairman and CEO of Berkshire Hathaway, suggests that being mindful of potential sources of irresponsibility is imperative because "it takes twenty years to build a reputation and five minutes to ruin it" (Lange, Lee and Dai, 2011: 154).

In light of this, the prevailing logic within the corporate reputation and social responsibility literature is that actual or potential reputation damage is a key mechanism by which firms are encouraged to be more responsible (Campbell, 2007). It is believed that organisations which violate laws or fail to act in accordance with stakeholder or societal expectations receive subsequent reputational diminishment from parties unsatisfied with their behaviour (De Blasio and Veale, 2009; Fombrun, Gardberg and Barnett, 2000; Gaultier-Gaillard and Louisot, 2006; Resnick, 2004). More specifically, if corporate irresponsibility occurs, preceding reputation damages are believed to translate into downstream performance deficiencies for the firms involved because unsatisfied stakeholders tend to change their behaviour towards those firms which behave objectionably (Firestein, 2006; Neufeld, 2007; Thießen, 2009).

That being said, some of the world's most esteemed corporations such as Apple, Google, Amazon and others, have been found to engage in various forms of social and/or environmental harm, yet retain the perception that they are reputable organisations with no obvious impediments to perform successfully. Congruently, firms consecutively listed by Fortune Magazine's 'World's Most Admired Companies' have all, with few exceptions, been associated with widely publicised acts of corporate irresponsibility. Such observations are puzzling when juxtaposed against the widely held assumption that reputations are fragile in some fundamental sense. Even so, the notion that reputations can be easily damaged appears to be largely

undisputed by the broader academic community. Minor and Morgan, (2011: 40) state that “reputation can be a fragile thing” whilst Scott and Walsham (2005: 312) note that reputation takes “time to create, cannot be brought and is easily damaged”. Furthermore, scholars such as Koronis and Ponis (2012: 283) have also characterised the reputation concept of a “fragile nature and complexity” with many others writing in a similarly assured confidence about organisational reputation (e.g., Bebbington, Larrinaga and Moneva, 2008; Eccles, Newquist and Schatz, 2007; Hayes and Patton, 2010; Raithel et al., 2010; Scandizzo, 2011; Sims, 2009). Yet the research supporting this position, to date, suffers from some significant limitations. First, most empirical research that purports to evaluate reputational penalties does not measure stakeholder perceptions of the firm’s misconduct - but rather proxies reputational effects with short-run stock price movements. Consequentially, a substantial proportion of the available empirical research is not about organisational reputation and thus only tangentially informs our understanding of reputational harm. Furthermore, extant research has yet to fully explore the underlying nature of acts of irresponsibility, its characteristics and how stakeholders interpret corporate irresponsibilities. In light of these issues, our understanding of when, how and to what extent stakeholders react adversely to news of corporate irresponsibility is therefore, mostly incomplete.

This thesis contributes to increasing our understanding of the underlying processes by which acts of irresponsibility alter stakeholder perceptions of the firm, and how changes in stakeholder perceptions subsequently impact corporate reputations. Specifically, this empirical research evaluates the efficacy of discreet aspects of corporate misconduct by modelling irresponsibility as categorised by various typologies found in the literature on corporate reputation. Moreover, I examine how discreet aspects of observed corporate irresponsibility affect stakeholder perceptions of the firm. Further, this study conducts the first large-scale empirical exploration of Attribution Theory in the context of reputation penalties in order to unpack whether prior stakeholder knowledge and perceptions of the firm, including; *corporate social responsibility*, *celebrity status*, history of *corporate irresponsibility* and *financial performance*, influence reputational assessments of corporate irresponsibility (Mishina, Block and Mannor, 2012). In doing so, this research has the potential to deepen our understanding of stakeholder responses to corporate misconduct by providing a detailed analysis of the relationship between corporate irresponsibility and changes in corporate reputation. This research study elucidates when, how and to what extent reputational assessors react adversely to revelations of corporate irresponsibility. The motivation to conduct this research stems from a lack of reliable evidence concerning the conditions that result in reputation penalties. As a result, reputation scholarship remains unequipped with a set of core principles regarding the nature of reputation penalties and stakeholder assessments of corporate misconduct more generally. This is particularly important since research that unpacks stakeholder assessments in

light of corporate misconduct is of practical relevance to organisations which may be largely misinformed about the associated reputational risks of corporate irresponsibility. Considering that a substantial and increasing proportion of total organisational value is attributed to intangible assets (Teece, 1998) of which, corporate reputation forms a significant proportion (Roberts and Dowling, 2002), research which helps appreciate the specific reputational vulnerabilities of firms in light of misconduct, may practically assist organisations direct resources more appropriately to protecting this valuable asset.

CHAPTER 1: LITERATURE REVIEW

1.1 Introduction

In this chapter I review prior research on reputation penalties. I explore how the various management disciplines have contributed to our understanding of the drivers and dynamics of reputation damages. Though it remains unclear how and when irresponsibility is interpreted negatively by organisational observers, some initial reputation penalties research has begun to offer explanations for why variance in reputation penalties exists. These ideas appear to coalesce into a number of broad thematic groups. For instance, owning a positive prior reputation for corporate social responsibility is believed to create a 'reservoir of goodwill', which provides a form of 'reputational insurance' against wrongdoing (Brammer and Pavelin, 2005; Godfrey, 2005; Minor and Morgan, 2011). Another broad strand of work suggests that the firm's history of past offenses may amplify or attenuate the relationship between irresponsibility and reputation penalties (Coombs, 2004; Coombs, 2007; Coombs and Holladay, 2001). It is also generally assumed that the more extensive a firm's 'crisis history', the more threatening a new event is likely to be. Another explanation for inconsistencies in observed reputation penalties is that some events are somehow perceived by stakeholders as fundamentally more 'severe' than others (Coombs, 1995; Dean, 2003; Greening and Gray, 1994) and in turn, that different events pose different reputational risks (Fombrun et al., 2000). The post event communications and behaviour have too been credited with importance here. In response to reputationally threatening incidents, research finds that the firm's communications and substantive actions play an important role in mitigating the potential reputation penalties (Benoit, 1995, Coombs, 1995). This said, some scholars (c.f. Siomkos and Kurzbard, 1994) emphasised that responding to an event involves the organisation accurately assessing the social complexity of the context, meaning that managers are often mistaken, therefore potentially risking further stakeholder scrutiny.

Before exploring the literature on reputation penalties as it broadly relates to the topic of corporate irresponsibility, I first elucidate what is referred to as *corporate reputation*, *irresponsibility* and subsequently *reputation penalties*, as there are several related concepts that have been employed throughout this multidisciplinary literature such as 'corporate identity', 'image', 'celebrity', 'status' and or 'legitimacy'; these concepts are themselves distinct from corporate reputation and thus require some initial clarification. This chapter will then go on to unpack the contributions of each management sub-discipline as they relate to specific themes

within the broader reputation penalties literature. Finally, this chapter concludes with an overview of the current state of theoretical and empirical knowledge.

1.2. A Definition of Reputation Penalties and Related Concepts

1.2.1. What reputation is not: The Related Concepts of 'Identity', 'Image', 'Status', 'Celebrity' and 'Legitimacy'

Before considering the definition and nature of reputation penalties, it is important to situate the concept of corporate reputation within the wider literatures on social evaluations and to differentiate it from other related concepts. As reputation is known for being “one of those rare subject matters that cuts across several disciplines and can be put through different analytical frames” (Mahon, 2002: 438), the concept has subsequently drawn considerable attention from various management disciplines including marketing, economics, strategic management, corporate social responsibility (CSR), accounting, as well as sociology (c.f. Barnett, Jermier and Lafferty, 2006; Fombrun and van Reil, 1997). Though fundamentally, reputation is comprised of social evaluations of the firm (Wartick, 2002), research has framed reputation in terms of being a resource (Deephouse, 2000; Grant, 1991; Roberts and Dowling, 2002), an asset in the marketplace (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005), as well as a communication (Dean, 2004; Coombs, 2007; Coombs and Holladay, 2006; Hearit, 1996; Mitroff, 1988; O'Rourke, 1997) and signaling device to stakeholders (Fombrun and Shanley, 1990; Walsh et al., 2009). Though, in its common use, the meaning of reputation is seen as fairly intuitive by the casual observer, a primary issue to the study of reputation penalties and its application within the broader management literature has been the identification of an appropriate and operational definition of the core concept (Lange, Lee and Dai, 2011). Barnett, Jermier and Lafferty (2006: 26) point out that, whilst interest in the topic of reputation has significantly increased the volume of associated academic literature, “a precise and commonly agreed upon definition is still lacking”. One aspect that has been associated with impeding a universal description of reputation is that some research employs the concepts of identity, image and reputation interchangeably (Wartick, 2002).

Thus far, scholars have articulated that there are important distinctions between the constructs 'identity', 'image' and 'reputation' (e.g., Gioia and Thomas, 1996; Walker, 2010; Scandizzo, 2011). Broadly, the term 'identity' has been used to conceptualise an organisation's self-assessment of its own character and capabilities (Markwick and Fill, 1997). 'Image', on the other hand, has been used to term the perception which the firm wants to portray to its publics through its communications and substantive actions (Bromley, 2001). In other words, identity conceptualises how insiders perceive their own organisation (Honey, 2009), whereas the term

image describes how the company wishes to be viewed by others (Caudron, 1997). Though historically, identity, image and reputation have been discussed in similar ways, there are several other terminologies and related concepts associated with corporate reputation that also require further clarification.

Whilst the concepts of identity and image express endogenously derived judgements, , there are other constructs that are the result of inter-firm assessments by external evaluators. 'Status', for example, is a construct used in the management literature to capture the relative social rank (Washington and Zajac, 2005) or hierarchical positioning of the firm compared to others (Podolny, 1993). 'Celebrity' is another related concept that also articulates a more distinct type of social evaluation, in that the construct specifically refers to the firm's ability to attract stakeholder attention (Rindova et al., 2006). In the reputation penalties literature, the concept of celebrity is highly relevant, as celebrity tends to play a role in work that assesses how reputation can have a buffering effect or create expectancy violations after revelations of corporate misconduct (Rhee and Haunschild, 2006; Janney and Grove, 2011; Minor and Morgan, 2011). The logic behind this research being that, whilst celebrity firms desirably attract increased stakeholder attention after engaging in positive practice, gaining such a degree of prominence may also intensify any potential scrutiny after revelations of bad behaviour. Contrastingly, another associated concept, organisational 'legitimacy', conceptualises a firm being similar to others, rather aiming to differentiate itself. A firm that is legitimate is perceived to conform to the normative standards and demonstrate appropriate structure (DiMaggio and Powell, 1983). In this way, organisational legitimacy conceptualises whether stakeholders perceive the company to have gained validity and thus may be rewarded with more advantaged access to resources.

1.2.2. What Reputation is (More Specifically)

Unlike the constructs image and identity, reputations are not directly and readily influenced by the firm itself. Instead, reputations are held externally by organisational stakeholders as a collective representation of firm characteristics (Fombrun and van Riel, 1997). Reputation differs also in that organisational observers make a non-relational assessment regarding the firm's character and capabilities, rather than an assessment of that organisation's standing relative to others, as in the case of assessments of organisational status. Similarly, though reputable firms may be perceived as legitimate, in that they conform to an appropriate structure and practice for their industry context, so too may firms with bad reputations. This is because organisational legitimacy does not convey a sense of whether the firm itself is uniquely favorable or unfavorable, rather, legitimacy expresses the degree to which the firm has the 'right to exist' (Dowling and Pfeffer, 1975). Likewise, though a reputable firm may have gained notoriety for it

to be perceived as a 'celebrity', the concept of celebrity captures exclusively the degree of stakeholder attention focused on the firm and its business activities, rather than any assessment regarding what those activities are or how favorable they may be perceived to be. In sum, the concept of corporate reputation captures aggregate perceptions of external audiences. These audience perceptions of the firm may be positive, negative or indifferent overall, yet reputations may also capture the minutiae of multiple, discreet aspects of an organisation's capabilities as well as its character as a corporate citizen.

With that said, there are many varying definitions of corporate reputation available in the literature, as evidenced by the number of systematic and non-systematic literature reviews published on the topic of defining the concept (notably, Barnett, Jermier and Lafferty, 2006; Lange, Lee and Dai, 2011; Walker, 2010). Prior to this work, Fombrun and Rindova (1996) argued that issues associated with defining corporate reputation derive predominantly from the diversity of disciplines which explore the reputation construct via different perspectives such as strategy, marketing, economics, sociology or accounting. Furthermore, whilst multiple perspectives have explored the reputation concept, there are also incongruities of definitions within disciplines (see Walker, 2010).

Though scholars generally agree upon the concept being, at some level, a perceptual representation of the firm held by external stakeholders, akin to the definition posed by Fombrun and Rindova (1996), there is less consensus regarding what exactly about the organisation is being assessed. Recognition of this led Lange, Lee and Dai (2011) to classify the various definitions of reputation on the basis of stakeholder assessments. Lange and his co-authors propose a typology of three broad categories of definitions, namely those where "reputation consists of familiarity with the organisation", other definitions concerning "what to expect from the organisation in the future", and finally "impressions about the organisation's favorability" (see Lange, Lee and Dai, 2011: 153). Here, the authors expressed familiarity more succinctly as 'being known', which can further encompass ideas such as organisational celebrity, in which reputation is understood from the lens of recognisability and the capacity to garner stakeholder attention. Definitions of reputation, according to Lange, Lee and Dai (2011) can also express that the firm is 'known for *something*' in that stakeholder preconceptions about the firm's capabilities or character can influence judgements about that firm's future behaviour, such as what customers can expect in terms of the level of product quality or whether a potential supplier can expect to be treated fairly, for example. Finally, favorability, often associated with the level of esteem the firm is held in (Barnett et al., 2006), consists of the overall assessment of a firm's attributes. The generalised favorability aspect of definitions of corporate reputation communicates that organisational assessors often aggregate multiple features of a firm, arriving at an overall estimation regarding whether their interaction with the organisation would be

favorable to them or not. Therefore, with all the previously discussed prior insights in mind, I define corporate reputation broadly as; *the collective representation of an organisations character and capabilities held by an organisations external stakeholders*. My aim in defining the construct in this way is to be inclusive of the positions previously discussed.

1.2.3. Defining Corporate Irresponsibility: Contributions from CSR and Crisis Management

A secondary step towards defining the reputation penalties concept is an appropriate articulation of the types of events that could lead to reputational damage. However, with the exception of the term 'crisis' which is discussed at length by the crisis management literature (see: Coombs, 2006), scant attention has been given to specifying how the various terms such as wrongdoing, negative events and irresponsibility should be defined. Lange and Washburn (2012: 300) highlighted this issue by pointing out that "[i]rresponsibility - is often not discussed explicitly in the CSR literature". That said Greenwood (2007: 324) offers that "[c]orporate irresponsibility occurs when the strategic management of stakeholders does not remain responsibility-neutral practice but becomes an immoral practice based on the deception and manipulation of stakeholders", highlighting that irresponsibility is about when the management specifically generates negative outcomes. Whereas Strike, Gao and Bansal, (2006: 852) defined corporate social irresponsibility (CSiR) more broadly as "the set of corporate actions that negatively affects an identifiable social stakeholder's legitimate claims (in the long run)". Both authors' efforts speak to two fundamental issues when defining the irresponsibility concept, namely '*what actions lead to irresponsibility?*' And '*what are the outcomes of irresponsibility?*'

Scholars in the field of crisis management however, have had a different approach to defining the concept of potentially negative events. Whilst they use the concept of 'crisis', a term similar to irresponsibility, in that the casual observer may find it semantically biased towards events with more severely negative outcomes; crisis management scholars have defined the crisis concept relatively broadly. Coombs (2006: 243), for example, discussed how crises may include actions where the organisation is the 'victim' and not the perpetrator; crisis can include 'accidents', where deliberate intention is not evident; and crisis can also be 'preventable' where intension for the event is more ambiguous than certain. The notion that crisis events are ambiguous in nature to both the firm and its stakeholders is a central theme of the crisis management literature (Pearson and Claire, 1998).

The idea that negative events are ambiguous for the observer to diagnose both in their causes and effects is central to an appropriate definition of corporate irresponsibility that the CSR literature is currently lacking. This is a central component to understanding irresponsibility

namely because different observers may have different assessments, a point highlighted by Porritt, (2005: 199) when suggesting that “financial markets respond favorably to announcements of cost-cutting programs designed to increase profits by reducing staff costs - The wider community is less favorably disposed”. The idea that observers differ in assessment was also recognized by Lange and Washburn (2012: 301) when they suggest that “corporate behaviour is socially irresponsible only to the extent that observers perceive it as such”. With this in mind, I define corporate irresponsibility as; *the actions associated with the firm that have the potential to harm and/or be interpreted negatively by organisational assessors.*

1.2.4. Defining Reputation Penalties: From Economics to a Management Perspective

At present the term ‘reputation penalty’ is employed fairly narrowly within the economics and finance perspectives and has yet to diffuse into the wider reputation and management literature. Whilst finance and economics find broader agreement concerning the concept’s definition, extant conceptualisations are limited in that they seemingly do not encompass what the wider literature understands reputation to be. To date, reputation penalties are defined as the loss in market value exceeded over any legal penalties incurred (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). This means that reputation penalties are the losses incurred when share prices decline beyond what can be attributed to litigation costs, fines and damages. Whilst this conceptualisation of reputation penalties translates into a convenient proxy for work that analyses stock market reactions to news of corporate irresponsibility, it qualifies only aggregate perceptual evaluations of the firm’s stock rather than stakeholder perceptions about the nature of the company’s character and/or capabilities, as thought to be by the wider reputation literature (Fombrun and Rindova, 1996; Mahon, 2002; Mishina, Block and Mannor, 2012; Wartick, 2002). Proponents of the economic view of reputation penalties such as Engelen and Essen (2012: 56) inadvertently capture this problem by stating that “[f]luctuations in stock prices are simply an aggregate of a huge amount of buy-and-sell decisions” suggesting that the core evaluation being made by stockholders captured by extant ‘market-penalties’ research is less about declining perceptions of the firm, and more about increases in stockholders personal financial risk and/or decreases in return on investments.

Given that current definitions of reputation penalties fail to capture the underlying reputation construct, I define reputation penalties as; *the aggregate negative reassessment of an organisations perceived character and/or capabilities by external audiences following actions associated with the firm that have the potential to harm and/or be interpreted negatively by the same external audiences.*

1.3. Thematic Groups Within Reputation Penalties Literature

The concept of reputation penalties has attracted interest from a number of established management disciplines. From marketing to finance and economics, each has contributed to the overall discussion concerning reputation penalties. Although research remains disparate and fragmented throughout numerous management journals. In this section I present an overview of the central contributions of each management sub-discipline by identifying and discussing a number of core themes in the literature. To facilitate locating and identifying the contributing literature - I conducted a systematic review. My rationale for this being that, traditional literature review methods have been identified as owning numerous problems, including a high degree of author subjectivity (Mulrow, 1994). To mitigate this issue, I instead adopted an archival - systematic review methodology, as it has been credited to enhance objectivity and quality in the literature review process (see Tranfield et al., 2003). Although the methodology is not without its limitations, such as the underrepresentation of books and the production of large volumes of material to review (Pittaway et al., 2004) I felt that these drawbacks were compensated by having “clear goals”, “a broad and inclusive search base”, and that it incorporated “a synthesised approach to organise the literature” (Walker, 2010: 358) - particularly when considering that the knowledge pertaining to reputation penalties is deposited in a breadth of subject areas (See *Appendix 1* for full details on the systematic review methodology). Although the core reputation penalties literature was identified using a systematic review methodology, I have also expanded into other evidence-bases to contextualise this body of work. In the next section I present a broad overview of the literature. I then go on to discuss a number of broad themes identified within it, as well as how each perspective has contributed to our overall understanding of reputation penalties.

1.3.1. An Overview of the Reputation Penalties Literature

Since 1993, the number of published works concerning corporate reputation and irresponsibility specifically has increased (*Figure 1, Appendix 2*). This is not surprising considering the broader topic of corporate reputation has also dramatically increased during this period (see *Figure 1.1*). Whilst seemingly benefiting from such growth, the literature has become widely dispersed over 93 different management, economics, finance, marketing, public relations, communications and strategic management, journals. However, nearly half the total number of papers in this sample have been published in ten journal titles (*Table 1, Appendix 2*), of which the leading one is the reputation- specific journal, *Corporate Reputation Review* (16 per cent).

To illustrate the epistemological orientation of this body of literature, I utilised an existing typology previously developed by de Bakker et al., (2005). Specifically, the classification of academic articles included in the systematic review of the literature employs of six categories as follows; *conceptual papers* - which have as their primary focus the development of propositions, hypotheses, or correlations between theoretical constructs (without the collection of new empirical data). *Exploratory papers* – where the fundamental focus lies in the development of propositions, hypotheses, or correlations between theoretical constructs by collecting new empirical data.

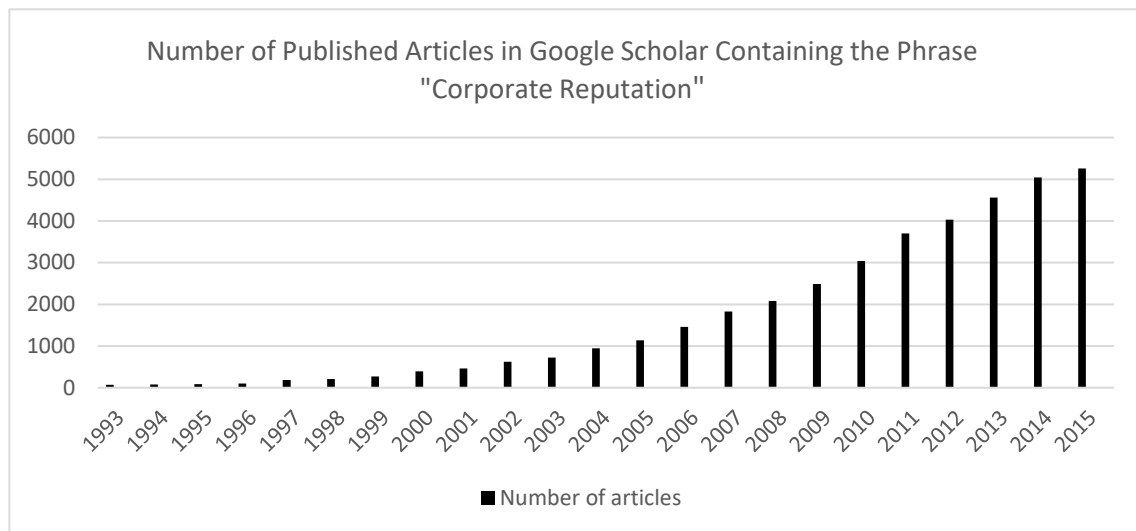


Figure 1.1: The distribution of articles containing the phrase “corporate reputation” over time

Predictive papers - which test propositions, hypotheses or correlations by empirical examination. *Prescriptive - Instrumental papers* - that focus on providing means and ideas for prescriptive action in order to assist practitioners or professionals realise some desired end. *Prescriptive - Normative papers* - which also aim to provide actionable advice for practitioners, yet are valuable from a moral, ethical or religious standpoint. Finally, *descriptive papers* - are classified as those which aim to report fact or opinion with no intention of a theoretical or prescriptive contribution to knowledge (de Bakker et al., 2005: 294). The general orientation of the literature is considerably more predictive, with predictive studies equating for 45 per cent of the total sample; followed by conceptual (18.3 per cent), prescriptive instrumental (13 per cent) and descriptive studies (13 per cent). This result may be associated with a considerable body of work originating from the crisis management perspective which generally utilises small student survey techniques. The methodological orientation of this body of work is orientated similarly (see *Figure 2, Appendix 2*), with a significant proportion of the literature being both theoretical

and empirical in nature (40.8 per cent). The remaining articles are purely theoretical articles (16 per cent), a cluster of purely empirical papers (8.9 per cent), case studies (18.9), and a proportion of 'commentaries' (13.6 per cent). A commentary would typically lack academic theorising and evidence to support the basic claims of the paper. Though the reputation penalties literature is broadly oriented in this way, the content of this body of work appears to similarly be divided into a number of core lines of questioning.

1.3.2. The 'Process Question': What types of events pose a threat to reputations and how do they harm them?

A primary body of work in reputation penalties literature is motivated to explore the process by which incidents of irresponsibility harm reputations. Typically, reputation penalties start with a socially, economically or environmentally undesirable event. Neoinstitutional theory posits that organisations should behave in accordance with social conventions (Allen and Caillouet, 1994). However, firms have a tendency to diverge from ethical and moral standards, laws, efficiencies, virtues, or beliefs of social justice (Young and Hasler, 2010). That being said, not all breaches of ethical and/or moral standards may be as relevant to reputational assessors. This is reflected in a significant strand of crisis management literature which proposes that some breaches of convention are generally more 'severe' than others (Benoit, 1995; Fearn-Banks, 1996; Lerbinger, 1997; Marcus and Goodman, 1991; Pauchant and Mitroff, 1992).

The idea that certain types of incidents vary in severity forms the basis for situational crisis communications theory (SCCT), in which events are categorised into three broad clusters, each with varying levels of potential to cause reputational harm (Coombs and Holladay, 2002). "The assumption [of SCCT] is that crises in the same cluster will have underlying similarities"; these similarities are understood in terms of severity (Coombs, 2006: 243), in that, the more severe an event's outcome the higher the probability that the observer will perceive the firm as more responsible for causing it, thus increasing the potential for reputational damages. Coombs (2006: 244) describes thirteen different types of crises that fall within three broad clusters; the 'victim cluster' where the organisation is the victim of the crisis; this group can include natural disasters, rumors, workplace violence and product tampering. Second, the 'accidental cluster' in which firm behaviour leading to the event was unintentional. Events under this classification include; challenges, whereby stakeholders claim inappropriate behaviour, technical accidents, product recalls. Finally, the third and most severe cluster of events, named the 'preventable cluster' includes events whereby the organisation has knowingly undertaken risks and could have avoided the outcome. Events in the preventable cluster include human errors, misdeeds, deception, law violations and risking human life. Although SCCT suggests that some events

within the same cluster may be more severe than others, the basis for classification stems from a theoretical and philosophical valuation rather than from an empirical one. For instance; SCCT assumes that events which threaten human life are most severe and will therefore have the most profound impact of corporate reputation (Coombs, 2006), despite prior empirical evidence from the broader reputation literature which contradicts this assumption (Zyglidopoulos, 2001). Additionally, extant empirical research testing SCCT largely focuses on case study and or small sample student survey data (Besova, 2008; Fussell et al., 2009; Claeys, Cauberghe and Vyncke, 2010; Lee and Lariscy, 2009; Oyer, 2010; Wright, 2009), methods typical of crisis management research more generally, therefore, limiting the robustness of this body of work. That being said, crisis management has offered some significant theoretical contributions to our understanding of the types, causes, and management of corporate irresponsibility (Greening and Gray, 1994). Yet, there are other aspects of irresponsibility that have been proposed to influence the potential reputation penalty.

The level of firm culpability for causing an undesirable event is also understood to play a role in determining the strength and direction of social disapproval (Laufer, 1996). However, determining the culpability of events is often ambiguous (Ulmer and Sellnow, 2000), as events are often associated with a group of possible culprits (such as in the case of the financial crisis), a number of related parties (such as Ebay's customers using its services to sell counterfeit goods or Apple's workplace safety issues in its supply chain with Foxconn specifically), or that of third parties (such as Google being required to disclose account data to the various American security services). Though SCCT incorporates the notion of culpability through increased crisis responsibility (Coombs, 2007), the framework's consideration of multiple associated and potentially culpable parties is theoretically lacking.

There is also an issue of the motive and deception underlying the cause of irresponsibility, as these too may play a role in influencing the severity of an event. Gertsen, Riel and Berens (2006) noted that the intent of the firm along with the degree of distortion were both important influencing factors in determining stock market declines after announcements of financial restatements. Diagnosing the culprits' intentions and similarly, assessing the degree of effort and sophistication employed by the organisation during the process that caused a negative outcome may be important for some stakeholders because they may be considered diagnostic of future actions (Gertsen, Riel and Berens, 2006; Mishina, Block and Mannor, 2012; Parkhe, 1993). However, more often than not, stakeholders do not directly experience the incident and/or its effects; therefore, highlighting the potential significance of the medium for delivering the news of an event.

The media is discussed as an important mediating factor in the process by which negative events come to harm the reputations of firms because they act as 'infomediaries' between the

news of event and the stakeholder (Deephouse and Heugens, 2009; O'Rourke, 1997; Zavyalova, Pfarrer and Reger, 2012). Wartick (1992) found that the more intense the media exposure was towards an organisation, the more susceptible its reputation is to change. In light of this, a diverse sub-field of the reputation penalties literature has broadly sought to explain what features of events draw media attention, how the media portrays negative events, and also, what implications these portrayals have for the management communications effort.

To this, Van Riel and van Den Bosch (1997) added that events involving stakeholders who have a high degree of source credibility meanwhile providing appealing visual images for the media, are more likely to become newsworthy. Unsurprisingly, it is expected that, the more newsworthy the event, the higher the likelihood that stakeholder attention is drawn to it. In this way, the media becomes important as it both increases the availability of information but also influences the diversity of portrayals of the event (Smaiziene and Orzekauskas, 2009). The prominence of the incident in the media may also be heightened by the celebrity status of the firm which too is deemed likely to influence the story's newsworthiness (Zyglidopoulos, 2001). Moreover, the media's framing of the event is also considered as an important issue to the process of reputational assessments because the incident may be complex, ambiguous, or may differ in the frequency and quality of evidence available (van Riel and van Den Bosch, 1997). In highly ambiguous and complex situations, the tone in which the news is delivered may also play an increasingly salient role in shaping how the event is perceived (Murphy, 2010; Wartick, 1992).

Two related, yet often implicit components of corporate irresponsibility are the differences in stakeholder groups that are harmed or victimised and the manner in which they are harmed. Coombs (2007) suggests that incidents have the potential to harm a variety of stakeholders physically, emotionally, and/or financially. However, each stakeholder group has a different relationship to the firm's goals, therefore some parties may have more influence on the behaviour of the firm because they also have more power, urgency and legitimacy (Mitchell et al., 1997). The idea that stakeholders may not be equally significant to the firm's reputation is a point often highlighted by the finance and economics perspectives, particularly in instances where the victimised party has an indirect relationship to the firm, as is the case with some special interest groups (see Engelen and Essen, 2010).

Reputations are expected to be at risk in light of broad types of corporate irresponsibility (Fombrun et al., 2000; Neufeld, 2007; Resnick, 2004; Thießen, 2009) but how exactly is corporate reputation damaged? One dominant approach to addressing this related sub-question has been to consider the effects of corporate irresponsibility on the market value of the firm. Empirical research from the finance and economics perspectives suggests that reputation damage could be inflicted in a holistic sense because different types of irresponsibility are observed to undermine the value of a company's stock (Alexander, 1999; Karpoff and Lott,

1993). One straightforward problem with this perspective is that stock prices strongly reflect the overall estimation of future economic potential of the firm (Abarbanell and Bushee, 1997). Yet, stock prices may also reflect stockholder assessments of firm favorability, meaning that investors may be assessing how other stakeholders perceive the firm's general favorability and how this might translate into downstream performance effects (Gertsen, Riel and Berens, 2006).

Consequently, the notion that reputations are somehow monolithic in nature and that irresponsibility has a broad impact, has been challenged. Theoretical work has begun to conceptualise reputation as a multidimensional construct, in that the firm may accrue many different perceptions in terms of its character and capabilities (Helm, 2007; Mishina, Mannor and Block, 2012), thus reputation damage might not be inflicted across social assessments but rather in areas specifically associated with the nature of the irresponsibility (Mishina, Manor and Block, 2012) or the firm's 'reputation for something' (Lange, Lee and Dai, 2011). In this context, a recall may affect the firm's reputation for product quality (Rhee and Haunschild, 2006) or human resource management issues may affect its reputation for workplace security (Friedman, 2009). Empirical evidence presented by Jones and Rubin (2001) found that firms which violate environmental laws may suffer reputation penalties for social performance as a result, and not their reputation for other facets of their business or overall, aggregate reputation. Whilst this strand of literature describes the possible outcomes of irresponsibility on reputation, often by describing the variation in endogenous characteristics of events, they offer only a partial explanation of how negative events come to alter reputations. Largely because they do not consider the various exogenous factors, prerequisites and socio-cognitive processes influencing the relationship between corporate irresponsibility and reputation. That being said, research from the finance and economics perspectives have significantly contributed to our current understanding of the effect of irresponsibility on reputation.

1.3.3. The 'Efficacy Question': What are the consequences of corporate irresponsibility and which are most significant to reputations?

When assessing the available empirical evidence regarding the efficacy of irresponsibility on perceptions of the firm, quantifying the reputation penalty following announcements of corporate irresponsibility has been largely the focus of the economics and finance domains. Here empirical research focuses on the stock market losses associated with corporate irresponsibility. More specifically, this strand of enquiry utilises changes in the market value of the firm as a proxy for reputation penalties after news of corporate irresponsibility. Researchers in this area calculate the total decline in stock value deducting any potential costs of the irresponsibility events, including stakeholder compensation, court fines, legal costs and remedial action costs. Work

which employs this method then hypothesises that the residual loss of stock price can be attributed to the reputation penalty (Engelen and Essen, 2010). Generally, these studies find that the market penalises firms significantly more than the direct and legal costs of negative events such as a clean-up cost of an oil spill, or a judicial fine (Karpoff and Lott, 1993; Engelen, 2010). However, Nelson et al., (2008) cautioned using declines in market value as evidence of reputation damage because it may be more difficult to control for confounding effects.

That being said, the general observation from this body of empirical evidence is that reputation penalties are most significant when the actions of the firm cause harm to stakeholders that are directly related to the organisation's business activities, such as shareholders and customers (see Engelen and Essen, 2010). Karpoff, Lee and Martin (2006) found significant reputation penalties in cases of fraud concerning directly related stakeholders, namely shareholders, as too did Alexander (1999) with customers of the firm and Janney and Gove (2011), again, with stockholders in their study of stock options backdating. Karpoff and Lott (1993), Karpoff, Lott and Wehrly, (2005) and Murphy, Shrieves and Tibbs, (2009) all found similar empirical results in that the reputation changes associated with a broad range of corporate irresponsibilities were significant and negative. In turn, Jones and Rubin (2001) and later Karpoff, Lott and Wehrly (2005) found no evidence of reputation penalties for environmental violations. This may suggest that criminal offences associated with harming third-parties potentially pose lesser reputational risks than those which harm or undermine relationships with stakeholders that have a direct influence on the companies bottom-line or access to key resources. However, it is more difficult to determine whether these stock price losses reflect shareholders' actual evaluations of the organisation's reputation or simply their concerns about potential future performance difficulties. To this, Gillet et al., (2010: 231) argue that this uncertainty is a problematic aspect because "the market consistently overreacts" to news of corporate irresponsibility.

Whilst a significant body of empirical work from the finance and economics perspectives repeatedly demonstrate reputation penalties using stock market values as a proxy for reputation damage, less empirical work has been conducted from the broader management perspectives. A notable exception by Zyglidopoulos (2001) explored Fortune Magazine's 'World's Most Admired Companies' database (WMAC), a survey-based methodology of collecting reputation data which found that, rather than environmental violations being less reputationally relevant, they were found to be associated with the most significant declines in corporate reputation. In the same study, Zyglidopoulos (2001) found no evidence that incidents where human life was lost had any negative impact on reputation, regardless of the whether the group had a direct or indirect relationship with the organisation. Such findings bring into question the base of empirical evidence offered by the finance and economics perspective - and also the assumptions of situational crisis communications theory - that loss to human life is broadly the most severe type

of corporate irresponsibility. This point is mirrored by real-life cases of corporate irresponsibility with associated losses of life, such as in incidences of motor vehicle safety (Ford-Firestone: Tires), pharmaceutical product harm (Merck: Vioxx), and worker safety incidents (Primark: Rana Plaza). Potentially, these conflicting evidence bases could be the result of empirical work seldom measuring the reputation construct as it is more widely understood (Caruana and Chicop, 2001; Fombrun, 1998; Fombrun, Gardberg and Sever, 2000; Mahon, 2002) as research which utilises large survey measures of corporate reputation are scarce. Subsequently, the majority of the available empirical evidence drawn from by practitioners and scholars alike suggests there to be broad and significant reputation penalties in light of corporate irresponsibility.

The reputation penalties literature preserves a distinct number of thematic assumptions regarding the efficacy of irresponsibility on reputation (see *Appendix 2, Tables 2 and 3: Incidents found of thematic assumptions within the literature*). A typical example is that of Sims (2009: 445) who posits that “[a] *mishandled response, inappropriate act, labor dispute, product tampering, or poorly timed reorganisation all have the power to instantly tarnish a sterling reputation*”. This statement implies a number of characteristics of irresponsibility and its efficacy on the reputations of firms; first, it infers a degree of equivalence to acts of corporate irresponsibility, listing a number of events that each have the ‘power’ to ‘tarnish’ reputations. Furthermore, it also implies irresponsibility poses significant risks to ‘sterling’ reputations; meaning that, even those firms with strongly positive reputations are distinctly fragile in light of irresponsible organisational behaviour. Whilst the previous assumptions represent much of the understanding of reputation in the practitioner-based literature, the notion that reputations are fragile in some fundamental sense is a reoccurring theme found in more heavily evidence-based studies too (*Appendix 2, Table 2: Incidences of Assumed Fragility*). For example, an article by Lange, Lee and Dai, (2011: 154) evidence an argument by quoting Chairman and CEO of Berkshire Hathaway, Warren Buffet, that being mindful of potential sources of irresponsibility is important because “*it takes twenty years to build a reputation and five minutes to ruin it*”. Whilst the assumption that reputations are fragile is implicit in this statement, Koronis and Ponis, (2012: 283) explicitly state that “[g]iven the fragile nature and complexity of the reputation concept” in order to present their theorization of reputation penalties. What is curious about the assumption that reputations are fragile is that the wider management literature has frequently noted that corporations are commonly associated with irresponsible behaviour and yet observe few such cases of irresponsibility which challenge their survival (e.g., Bansal and Clelland, 2004; Davidson and Worrell, 1992; Davidson, Worrell and Lee, 1994).

The degree to which reputational challenges are overcome may also depend on the breadth and severity of downstream performance problems. Fombrun, Gardberg & Barnett, (2000: 87)

state that a *“damaged reputation manifests itself in impoverished revenues, decreased ability to attract financial capital, and reduced appeal to current and potential employees”* suggesting that acts of irresponsibility risk a broad spectrum of downstream performance difficulties for the firm. Gaultier-Gaillard and Louisot (2006) suggest that reputational damage risks three broad classifications of performance problems: financial loss (e.g. decline in market share, loss of sales, or legal penalties), loss of information (e.g. reduction in talented labour, loss of business partners, loss of collaborators), and future liabilities (e.g. loss of consumer trust, increased scrutiny from regulatory bodies, inability to attract investment). However, whilst there has been considerable attention given to the value of a good reputation in terms of increased performance (Deephouse, 2000; Elsbach and Kramer, 1996; Fombrun and Shanley, 1990; Hall, 1993), sustaining competitive advantage (Barney, 1991; Benjamin and Podolny, 1999; Boyd et al., 2010; Hall, 1992; Roberts and Dowling, 2002; Shamsie, 2003) and how positive social behaviours maintain positive performance through activities such as CSR (Lii and Lee, 2012), empirical evidence that systematically unpacks the performance consequences of reputation penalties is lacking. Instead, the reputation penalties literature consists of a significant number of practitioner-based commentaries and case studies (see *Figure 2, Appendix 2*) that often highlight more extreme cases of corporate irresponsibility and performance decline (Bebbington, Larrinaga and Moneva, 2008; Eccles, Newquist and Schatz, 2007; Garcia, 2006; Garcia and Ewing, 2008; McLane, Bratic and Bersin, 1999; O'Rourke, 2001; Schwartz, Young and Zvinakis, 2000). The notion that irresponsibility has the potential to harm the reputation of the associated firm and that, in turn, reputational damage translates into downstream performance problems for the organisation, represents a simplistic, linear conceptualisation of reputational penalties that conflicts with observations of corporate irresponsibility and neglects a number of important mediating variables that may mitigate stakeholder updating assessments of the firm, and subsequently, penalizing them for any misconduct (Barnett, 2014). More specifically, recent theorising from the social psychology perspective argues that irresponsibility may be subject to different assessment criteria, judgement biases and path dependencies (notably, Mishina, Block and Mannor, 2012).

1.3.4. The ‘Interpretation Question’: How does contextual information and prior knowledge affect observer assessments of reputation?

Habermas (1975: 58) proposed that *“the crisis cannot be separated from the viewpoint of the one who is undergoing it”*. Habermas’s (1975) proposition is central to the social psychology perspective of irresponsibility and reputation penalties. Though attribution theory is a relatively novel perspective on reputation, early theoretical work in the area has been suggested to represent a promising new line of empirical enquiry (Barnett, 2014; Lange and Washburn, 2012;

Mishina Block and Mannor, 2012). Fundamentally, attribution theories suggest that reputation damage is contingent upon the negative revaluations of stakeholders and is therefore subject to the same information processes and cognitive biases that influence the perspectives of individual observers (Kelley, 1973). Following this logic, reputations are therefore based on perceptions and not an objective reality (Wry, 2009). In this way, human perception is proposed to create the social reality whereby reputation can fall victim to negative revaluations (Bitektine, 2011). Since reputations are also believed to be the outcome of collectively held perceptions (Fombrun and Rindova, 1996), attribution theory suggests reputations are sensitive to evaluative changes at the level of individual perceivers. Meaning that reputations are also sensitive to the factors that affect individual cognition (Mishina, Block and Mannor, 2012).

The assessments of stakeholders have been suggested to be contingent on a number of different judgment biases (Mishina, Block and Mannor, 2012). Mishina and his colleagues have speculated that reputational assessors distinguish between two fundamental types of signals. First, capability-related information or signals refer to the business activities of the firm (Mishina, Block and Mannor, 2012). A negative capability-related cue, such as product recalls, service delays, or financial losses, may pose less threat to corporate reputation because events of this nature are more likely to be interpreted as being influenced by exogenous factors (Mishina, Block and Mannor, 2012). The other type of signal, a character-related cue, contrastingly, is suggested to be more threatening to reputation because stakeholders may interpret these events as less likely to have been influenced by exogenous factors (Mishina, Block and Mannor, 2012). Therefore, in the case of character-related signals, stakeholders tend to be less inclined to give corporations the benefit of the doubt. The origin of this idea lies with Heider (1958) who emphasised that the attributions individuals offer as explanations for events accentuate either factors that originate within that individual or factors that arise from environmental sources. Mishina and his co-writers phrase the process of stakeholders interpreting events on the basis of whether they represent the 'true' nature of a firm's character or capabilities, as the level of 'diagnosticity', or in other words, whether a piece of information is indicative of 'who' or 'what' the firm really is. This idea lends itself to the seminal work of Kelly (1971), a social psychologist who proposed what is referred to as the *discounting principle*. Kelly (1971) suggested that individuals tend to discount information when other plausible causes exist. In the context of negative character-related events, the level of discounting is expected to be lessened by growing skepticism in society (Fein, 1996; Skarmetas and Leonidou, 2013; Vanhamme and Grobben, 2009). Thus, looking through the lens of social psychology, one can observe that the nature of the 'cue' or event is brought back into focus.

As mentioned earlier in this chapter, a key theme of this line of reputation penalties enquiry is that irresponsible events have been suggested to vary somewhat in severity (Coombs and

Holladay, 2006). In particular, Coombs (2007) suggested that a key determining factor of event severity is degree to which the event could have been prevented by the organisation. The work of attribution theorists such as Weiner (1980) supports such an assumption, suggesting that attributions are made on the basis of the degree to which the individual believes the cause of the failure could have been controlled. However, Weiner (1980) also emphasized that negative attributions are also strengthened when individuals believe that the cause of the failure is enduring rather than temporary. Therefore, from an attribution perspective, reputational damage could be more pervasive when events are perceived to be within the organisation's control and when the cause of the event is perceived to have longevity. Conceptualisations regarding how event characteristics affect perceptions of corporate irresponsibility have been captured in the more recent theorising of Lange and Washburn (2012) who describe the subjective understandings of firm behaviour that result in attributions of irresponsibility. The authors suggest that *"[o]bserver attributions of corporate social irresponsibility depend on the combined presence of three components: observer assessments that the effect is at least somewhat undesirable, observer assessments that the corporation is at least somewhat culpable, and observer assessments that the affected party is at least somewhat noncomplicit"* (Lange and Washburn, 2012: 308). This means that, for an observer to interpret the behaviour of the firm as irresponsibility, its behaviour must be perceived to have some level of each of the following three characteristics: first, 'effect undesirability', which builds on the ideas of Crouch, (2006), Donaldson and Dunfee, (1999) and Jones and Davis (1965), refers to the degree to which stakeholders perceive the actions of the firm to be personally threatening – or – the degree to which the event undermines the personal, philosophical or social values of the individual. For instance, a customer may perceive an organisation's announcement of a financial restatement less personally threatening and egregious compared to a shareholder. Second, 'culpability' describes the manner in which the observer assumes the role of the 'intuitive psychologist' (Hamilton, 1980), in that there may be individual attempts to assign causality to an event. In this case, the individual may assign causality to the firm or other plausible causal agents. Patients suffering overdoses from a medication that was appropriately labeled may be perceived as a plausible causal agent (or owning some of the associated blame) than a patient who overdoses on medication that was inappropriately labeled, for example. The third ingredient of Lange and Washburn's (2012) model suggests that a degree of 'affected party non-complicity' is necessary for corporate irresponsibility to influence reputation. Here, the observer is expected to assess the complicity of the victimised party. The idea being that some victims might be perceived as more complicit in causing a negative event. A bank's shareholders may be perceived to have more complicity following the 2007 global financial crisis than its customers because the former seemingly benefitted from the firm's irresponsible behaviour. Using this body of extant empirical evidence from the social psychology perspective, Lange and Washburn's (2012) description of

the mechanisms by which observers attribute irresponsibility represents a potentially important first step in our understanding of why the variation of reputational effects exists between cases of corporate irresponsibility.

A number of notable extant works align with Lange and Washburn's (2012) framework. For example, Fiol and Kooor-Misra, (1997: 149) stated that "*societal filters enable perceivers to determine how discrediting an event is, based on widely-held social norms*". Furthermore, some incidents might not be perceived in isolation but part of an unfolding sequence of events. Coombs (2007: 168) added that a history of crises can "*increase the initial assessments of the reputational threat*". Kelly (1971) suggested the covariate principle, noting that, when there is more than one possible cause for an effect, the effect is more likely to be attributed to that cause with which it covaries. Therefore, the past observations of reputational assessors may be used in relation to determining the cause of new events. In other words, when a firm has a history of involvement in a particular negative event, such as fraud, the accusations of later fraud, even when there are multiple possible causes for that event, the blame is likely to be attributed to the accused firm. That said, examples from business practice indicate that the covariate principle does not always apply. In the case of the car manufacturing industry, a more populous history for product recalls appears to have an insignificant effect on the reputations of automobile manufacturers. Crisis histories may therefore be also relative to industry standards. In an industry context where particular events are less frequent, these incidents violate stakeholder expectations and thus might potentially pose a more significant reputational threat. Though reputational assessors may have a tendency to interpret events on the basis of their diagnosticity (Mishina, Block and Mannor, 2012) there is also evidence which suggests that stakeholders expect different behaviour from different firms, so firms that do not conform to what is expected may, in turn, violate stakeholder beliefs, leading to greater scrutiny (see Rhee and Valdez, 2009).

Interestingly, scholars such as Hoeken (1998) have suggested that individuals tend to preserve their original beliefs when evidence contradicts them. Experimental research in social psychology has long observed that individuals have a tendency not to update their beliefs in light of contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al., 2013; Lord, Ross and Lepper, 1979). Subsequently, stakeholder assessments of the firm may not be based exclusively on evidence, but also on rumor, speculation, and their individual prior beliefs (Hess, 2008). Interpretations of negative events have also been proposed to be path dependent, in that new information is interpreted on the basis of past beliefs (Mishina et al., 2012). Following this logic, negative events are therefore unbound to any specific place or time. Stakeholders may refer back to their past knowledge about the firm in deciding to update their beliefs, or not. Whilst attribution theory is relatively novel in relation to reputation penalties research, two

strands of extant empirical evidence provide some support for the idea that stakeholder perceptions of corporate irresponsibility are 'colored' by the prior reputation of the firm (Minor and Morgan, 2011: 56). First, a school of thought has emerged which suggests that owning a positive prior reputation creates a 'reservoir of goodwill' that can shield the firm from the associated problems of negative events (Brammer and Pavelin, 2005; Godfrey, 2005; Schnietz and Epstein, 2005). The rationale being that, until new revelations emerge, firms with a generally positive reputation have behaved in accordance with stakeholder expectations. As a result, stakeholders are more likely give firms' with an overall positive reputation the benefit of the doubt after revelations of irresponsibility (Mahon and Wartick, 2003; Tucker and Melewar, 2005), or simply stakeholders may ignore evidence to the contrary because it does not sit easy with prior impressions of the firm (Godfrey, 2005). In order to use reputation as a shield, it is assumed that companies should invest more in reputation building activities, such as corporate social responsibility activities (Minor and Morgan, 2011; Williams and Barret, 2000). CSR activities and programs are believed enhance reputations in order to later 'offset' the associated risks of corporate misbehaviour (Brammer, Pavelin and Porter, 2009). Empirical evidence generally finds support for the idea that greater CSR performance can buffer against later revelations of irresponsibility (Brammer, Pavelin and Porter, 2009; Janney and Gove, 2011; Williams and Barret, 2000). Yet, most of the empirical evidence that assesses the mediating role of prior reputation assesses its defensive property in relation to buffering against market penalties. For example, Jones, Jones and Little (2000) found that firms with greater reputation scores prior to the 1989 stock market crash suffered significantly less than firms that owned weaker reputations. Similarly, Raithel et al. (2010) found that a good reputation prior to the 2008 global financial crisis mitigated stock market decline, as too did Wiles et al., (2010). Bailey and Bonifield (2010) found that firms with enhanced prior reputations which reneged on promotional offers were able to mitigate negative purchase and word-of-mouth intentions if they later fulfilled promotional promises. In turn, firms with poor prior reputations were found to be unable to alter consumer purchase or word-of-mouth intentions whether they fulfilled promotional promises or not (Bailey and Bonifield, 2010). This implies that owning a prior positive reputation may serve as an advantage in certain instances, such as when firms operate in markets with limited competition or for those organisations offering undifferentiated and price elastic products and/or services.

That being said, the second school of thought assessing the mediating role of prior reputation suggests that owning a positive reputation can create expectations about the way in which the firm should behave (Shapiro, 1983). When the firm's behaviour does not conform to stakeholder beliefs, it creates expectancy violations which have the potential to deepen stakeholder scrutiny (Burgoon, 1978). A noteworthy study by Janney and Gove (2011) found evidence of both the halo effect and expectancy violations. The authors found that firms with overall positive

reputations suffered less stock value declines after general irresponsibility (Janney and Gove, 2011: 1580). Yet also, the study found that firms with an enhanced reputation for certain characteristics, such as governance, were penalised more for events which pertained to governance failures (Janney and Gove, 2011: 1581). This may indicate that for certain types of irresponsibility stakeholders interpret events as duplicitous or perceive a level of betrayal which prompt assessors to revise-down their assessments of the firm. This is consistent with the findings of Rhee and Haunschild (2006) who found that automotive firms with a greater reputation for product/service quality suffered significantly greater market penalties after announcements of recalls than firms with lower levels of prior reputation for quality.

1.3.5. The 'Management Question': How should the firm respond to reputationally threatening events?

In the context of reputation penalties, scholars of crisis management have been particularly interested in categorizing the various types of crisis as well as uncovering best practice for the management of irresponsibility (Dean, 2004; Coombs, 2007; Coombs and Holladay, 2006; Hearit, 1996; Mitroff, 1988; O'Rourke, 1997). Generally, the crisis management literature proposes a variety of 'horses-for-courses' style response strategies, in that they broadly assume that managers should accurately appreciate the context of irresponsibility in order to choose and deliver the most appropriate organisational responses (Benoit, 1993; Coombs and Holladay, 2006). Broadly, it is assumed that communications should be swift because first impressions of events form quickly and also tend to influence stakeholder reception of later communications (Benoit, 1997; Coombs, 1999; Coombs and Holladay, 2001; Sen and Egelhoff, 1991).

From the organisations perspective, there are a number of decisions which may need to be made in order to respond to stakeholder concerns. In this context, firms have been advised by the literature to choose their response carefully or risk further damaging relationships with stakeholders (Benoit, 1993; Coombs, 1995; Coombs, 2007). Responses to revelations of irresponsibility are said to be achieved using two primary response mechanisms: an organisation can respond verbally via its communications, and tangibly, by the subsequent action that it takes following an event. It is also recommended that messages should be *clear*, *consistent*, and *plausible* (Kline et al., 2009). Over time, scholars have proposed a number of possible communication strategies available to firms (Benoit, 1995; Coombs, 2002; Sellnow et al., 1998). Typically, the response strategies firms employ are understood to vary in their degree of compassion for the victims (*accommodative*) and their motivations to limit exposure to the firm (*defensiveness*) (Coombs, 2007). However, it is also noted that organisations may fail to implement the correct responses to negative events because they often manage conflicting

internal and external pressures, such as those that arise from navigating the tensions between financial liabilities and social responsibilities (Greening and Gray, 1994).

With regards to the managerial advice generated from extant empirical crisis management work, some studies have begun to incorporate attribution theoretic concepts to test the moderating capacity of managerial responses on the relationship between stakeholder attributions of crisis responsibility and perceptions of the firm. One study testing Coombs' (2007) crisis types, Claeys, Cauberghe and Vyncke (2010: 256) conducted an experiment using 316 consumer participants, and found that *"[t]he interaction effect between crisis type and crisis response strategies on corporate reputation is not significant"*. Therefore, the different crisis response strategies did not alter the effect of irresponsibility on reputation. However, what was particularly relevant about this study was that it tested participants' propensity for internal versus external locus of control. What this means is that the study tested participants' preference to assign causation internally towards themselves (or for them to take the blame) or externally on a third party, in which case, participants were more likely assign responsibility to the firm. Even though this small scale study may be methodologically limited in terms of its generalisability, its value lies in the attempt to incorporate more nuanced theorisations akin to the ideas of cue diagnosticity and the negativity bias in character-related assessments of the firm (Mishina, Block and Mannor, 2012). More specifically, this study represents a growing appreciation of how assessors' attribute irresponsibility in the context of reputation penalties.

1.4. Summary and Research Agenda

Though the research on reputation penalties has been increasing, it remains a fairly novel research area when compared to other more established management literatures. The core of the reputation penalties literature remains underdeveloped with 160 published works that explicitly positions its contribution in both organisational reputation and the corporate irresponsibility. Generally, the epistemological and methodological orientation of this literature leans towards predictive (45 per cent) and empirical work (41 per cent). Yet a significant proportion of empirical work on reputation penalties can be attributed to case study and small sample survey data from the communications/crisis management perspective as well as the market penalties perspective from finance and economics. Whilst the crisis management literature does offer some more nuanced and holistic conceptualisations of the relationship between corporate reputation and corporate irresponsibility, this literature tends to rely largely on case study and small survey data. Contrastingly, the market penalties literature employs more rigorous methodologies to assess the declines in stock value subsequent to announcements of irresponsibility, however, this field is theoretically limited in that it views and subsequently measures reputation as a result of buy and sell decisions (Engelen and Essen,

2010). Resultantly, the majority of available empirical evidence suggests that most types of irresponsible events have a significant impact on corporate reputation (Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), a point which jars with observations made within the broader management literature (Bansal and Clelland, 2004; Davidson and Worrell, 1992; Davidson, Worrell and Lee, 1994). This pool of reputation penalties evidence has been subsequently drawn upon by the theoretical and practitioner literature on reputation and its management, which, has seemingly led to the general thematic assumption that reputations are inherently fragile in the face of corporate irresponsibility.

Though reputation penalties research is dispersed over 93 management journals, many of them contribute to the conversation on several distinct underlying themes. The first notable theme uncovered in the literature review process was a distinct group of studies which focus on the process of how irresponsibility - in its different forms - can have varying propensities to harm reputation. Work unpacking the 'process question' also expresses either implicitly or explicitly how the perspective views the nature of reputation damage. Here the crisis management literature has offered some insight as to the categories of harm (Benoit, 1995; Coombs, 2007; Coombs and Holladay, 2006). Generally, it is understood that events can vary in severity (Benoit, 1995; Fearn-Banks, 1996; Lerbinger, 1997; Marcus and Goodman, 1991; Pauchant and Mitroff, 1992) and that there are a number of sub-characteristics or intensifiers that contribute such as culpability, the type of victimization, and the level of media attention. The greater the severity of the event, the more the event is believed to be associated with risks to reputation (Coombs, 2007; Coombs and Holladay, 2006). SCCT has emerged as a prominent guiding framework in the crisis management literature, however the basis for this framework of classification stems from the authors' philosophical values, rather than from empirical evidence. It assumes that events which threaten human life are most severe and will therefore have the most profound impact on corporate reputation (Coombs, 2006), despite conflicting prior empirical evidence from the broader reputation literature (Zyglidopoulos, 2001). Evidence from market penalties research, implies that reputations tend to be monolithic and broadly harmed by many classifications of corporate irresponsibility (Alexander, 1999; Karpoff and Lott, 1993).

Another notable theme imbedded in this literature is an empirical curiosity surrounding the efficacy of corporate irresponsibility on changes in corporate reputation. A significant body of empirical research has posed the following question; *'to what extent does irresponsibility undermine corporate reputations?'* Empirical studies have generally found that many different types of irresponsibility exist and most have substantial impact on the market value of the firm (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), with the notable exception of environmental violations (Jones and Rubin, 2001). This work emphasises that events which undermine the firm's relationships with stakeholder

groups have a greater capacity than events which harm the natural environment (Engelen and Essen, 2010). However, some earlier empirical work using large-scale survey data contradicts this assumption, finding evidence that environmental violations are strongly penalized against (Zyglidopoulos, 2001).

Rather than focusing on the aspects that distinguish events from one another to then determine the likelihood of reputational effects, an alternative but related strand of research contends that reputations are perceptual phenomena and therefore the interpretations of observers require greater acknowledgement of the process of social judgements and impressions formation. The 'interpretation question' has largely been posed by the newly emerging social psychology/attribution perspective of reputation penalties research. This perspective fundamentally views the reputation penalties problem from the perspective of the perceiver. Unlike prior work from finance, economics, and broader management literature, attribution theories do not 'abstract-away' the perceiver from the process of reputation harm as is largely the case with works using stock market proxies of reputational decline. Instead, social psychology perspectives place the observer at the heart of the social phenomena and unpack the various subjective assessments and interpretive variations in these (Lange and Washburn, 2012; Mishina, Block and Mannor, 2012). Although attribution theory is a fairly novel area of research in the context of reputation penalties research, extant literature on the halo effect and expectancy violations lend some initial support to the general thesis of attribution theory. Whilst attribution theory represents a promising new direction for reputation penalties research, the ideas put forward by attribution proponents remain empirically underdeveloped.

Finally, a distinct body of literature explores the possible management interventions that firms can deploy to mitigate potential reputation decline following revelations of corporate irresponsibility. The 'management question' has largely been considered from the crisis management, mass communications and practitioner literatures. This corpus of work mainly suggests that responding to events is a difficult process which requires the correct combination of communicative choices and remedial actions (Ansoff, 1975; Coombs, 1995; 2006; Rosenthal and Kouzmin, 1997). It is broadly assumed that communications should be swift (Benoit, 1997; Coombs, 1999; Coombs and Holladay, 2001; Sen and Egelhoff, 1991) and that firms tend to make poor choices in their communicative response because there may be competing internal and external pressures at work (D'Aveni and MacMillan, 1990; Kiesler and Sproull, 1982). Though a number of crisis response strategies have been recommended by this body of research (Benoit, 1995; Coombs and Holladay, 2006) they stipulate that the firm must tailor their response to the event in often ambiguous terms. A reason why managerial advices may be lacking specificity is that the corresponding empirical evidence used to formulate managerial advices are based on evidence which either lacks the necessary methodological robustness or

accurate measures of reputation. These limitations imply that research on reputation penalties to date only tangentially informs our understanding of reputation penalties and the management of corporate irresponsibility.

In light of the achievements and limitations of extant research, advancements to our current understanding of reputation penalties may come from a number of possible directions; first, whilst the field of crisis management in particular has been central to the categorization of types of irresponsibility, empirical work to date tends to bundle events on the basis of broad characteristics, such as 'accident', 'preventable' or more broadly 'accounting controversy' or 'product recall'. This strategy neglects the many minutiae of events that attribution theory suggests may be important in determining stakeholder perceptions of irresponsibility (Lange and Washburn, 2012). To date, research that describes the minutiae of events and models the relationship between these and corporate reputation remains undeveloped. Second, though the finance and economics perspectives have applied rigorous management science to the topic of reputation penalties, its measures of corporate reputation do not appropriately capture the concept as it is more widely understood (Barnett, Jermier and Lafferty, 2006; Fombrun and van Riel, 1997; Lange, Lee and Dai, 2011; Walker, 2010). The 'market penalties' strand of literature predominantly use short-run stock price movements as a proxy for reputation damage, which predominantly captures changes in stockholders buy-and-sell decisions. This is a significant limitation because stockholders, in the context of corporate irresponsibility, have been shown to initially overreact to news of corporate irresponsibility (Gillet et al., 2010). Coupled with highly specific 'profit-seeking' motivations, share prices are likely to be unrepresentative of this stakeholder group's general social judgments and impressions of the firm. However, there are alternative research methodologies that utilise data more closely representative of the reputation construct. Large scale surveys like those conducted and published by Fortune's World's Most Admired annual survey (WMAC) or Management Today's Britain's Most Admired Companies (BMAC) are some examples that collect observer perception in settings that mitigate the confounding effects associated with stock market proxies and which remain underexplored.

Moreover, though advancements in the reputation penalties literature has led to more nuanced theorisations of the process by which reputations are harmed by irresponsibility (Barnett, 2014; Mishina, Block and Mannor, 2012), empirical work is conceptually underdeveloped in relation to it. Inadequacies, particularly with regards to capturing the different facets of reputations, such as firms 'being known', 'being known for something' and their 'generalised favorability' (Lange, Lee and Dai, 2011) subsequently result in empirical work neglecting the complex and multidimensional nature of the reputation concept. Consequentially, much of the available empirical research views reputation in overly simplistic terms and does not capture the many facets of social judgements and prior stakeholder impressions of the firm, nor does it capture

how these prior perceptions tend to influence stakeholders' perceptions of irresponsibility. In light of this, empirical work which unpacks the various dimensions of stakeholder impressions of the firm would advance our understanding of the conditions in which different stakeholder beliefs shape the process of stakeholder judgements and impressions of the firm.

Furthermore, theoretical developments in the area of social psychology suggest a number of psychological processes and biases that may determine how irresponsibility is interpreted by stakeholders, which may then set the stage for any downstream reputation penalties. These insights are potentially valuable because they highlight which characteristics of events are used in conjunction with prior knowledge to determine the 'severity' and 'diagnosticity' of irresponsibility events (Mishina, Block and Mannor, 2012). To date, most conceptualisations of event severity have been limited by author subjectivity, as research has often predetermined what was likely to be perceived as most significant to reputational assessors. Attribution theory therefore represents the first systematic, evidence-based framework for how and when stakeholders interpret events as being indicative of corporate irresponsibility. Research which empirically unpacks attribution theories as they related to reputation penalties would further advance our understanding of how, when and to what extent acts of observed corporate irresponsibility alter perceptions of the firm.

CHAPTER 2: CONCEPTUAL DEVELOPMENT

In the previous chapter I discussed the current state of theoretical and empirical knowledge pertaining to reputation penalties, as well as highlighted a number of accepted wisdoms regarding the nature of irresponsibility and corporate reputation. Through the literature review process, four broad limitations of extant research were uncovered; (1) empirical work to date tends to bundle observed irresponsibility using narrow criteria, thus neglecting the nuances that distinguish events. (2) The bulk of the available empirical evidence does not faithfully measure the reputation concept. The market penalties literature, whilst applying rigorous management science from the perspectives of finance and economics, utilises data that is ultimately unrepresentative of the core phenomena and resultantly reputation penalties may be overstated because markets often overreact to news of irresponsibility (Gillet et al., 2010). (3) The majority of extant empirical research views reputation in overly simplistic terms and does not fully capture the many facets of social judgements and prior stakeholder impressions of the firm which include an appreciation of minutiae of event characteristics and stakeholder's prior beliefs. Research which systematically and empirically unpacks the contingencies within the relationship between corporate irresponsibility and firm reputation is currently lacking. (4) Finally, extant empirical work neglects the mechanisms and cognitive biases that influence observer perceptions of irresponsibility and subsequently of the firm associated with irresponsible acts. In this way, prior research tends to abstract the observer away from the process of reputation penalties. Such limitations restrict our ability to generate robust insights that, in turn, can inform managerial decisions concerning crisis and reputation management. In view of these limitations, this study places the perceiver back into analytical focus to contribute to increasing our understanding of how, when and to what extent stakeholders revise their reputational assessments in light of corporate irresponsibility. Utilising theories of attribution, this study departs from an overly simplistic, reductionist approach offered particularly by the market penalties strand of research, towards a more holistic and social constructivist perspective on corporate reputation penalties.

2.1. Core Theoretical Paradigm: Attribution Theory

In order to examine the relationship between irresponsibility and changes in corporate reputation, this study adopted theories from social psychology, namely attribution theory, as a guiding theoretical lens to understand the underlying processes that influence how and when stakeholders react to observed cases of corporate irresponsibility. Though this is a somewhat

fragmented and non-unified body of conceptual works advanced primarily by social psychology proponents, I adopt a number of integrated 'attribution' positions offered by management scholars such as Lange and Washburn (2012) as well as Mishina, Block and Mannor (2012). Although attribution theory is novel in terms of reputation penalties research, it offers a more nuanced description of the cognitive mechanisms and biases that may play a role in determining how and when organisational observers interpret events as acts of irresponsibility. Additionally, I adopt *attribution theory* in order to explore how contextual information influences the interpretation process as well as seek to understand when heuristics or cognitive short-hands are used by reputational assessors. Most importantly, attribution theory may explain why certain firms are seemingly less vulnerable to reputation changes despite being associated with various social, economic and or environmental harms.

Theories of attribution began in the field of social psychology and was first put forward around the 1950s. specifically, the seminal work of Heider (1958) provides the underlying principles upon which theories of attribution continue to be based. The book *The Psychology of Interpersonal Relations* outlined Heider's phenomenological approach to psychology, which at the time, was a departure from the established behavioural view. Heider stipulated that understanding individuals' common-sense explanations to infer causation was at the route of behaviour between interpersonal relationships. Heider (1958) expressed that observers arrived at two broad categories of causation; those caused by individuals or those caused in an individual's environment or situation. Heider also argued that generally individuals are fairly rational. However, unlike the reasoning found within the sciences, the lay-person is typically less analytical and increasingly prone to biases, particularly in instances whereby features of the behaviour are salient to the individual (Heider, 1958). Drawing from this initial work, Kelley (1967) later expanded Heider's ideas to include descriptions of the process by which individuals orientated their causal inferences. Kelley (1967) emphasised that an individual is likely to have information from multiple prior observations, in different situations, and at different times. This information can thus be recalled by the perceiver to draw causal inferences regarding a subject's current behaviour.

Later, Weiner (1985) developed a framework of causal attribution that built from the earlier ideas of Heider (1958) and Kelley (1967) and described three distinct stages of the attribution process. The first of which refers to the observer's perception of the subject's *locus of control*; similar to Heider's ideas, locus of control refers to the perception that the subject is the cause of a behaviour or the cause is attributable to the subject's external environment. Second, observers determine the level of *stability* of a behaviour; this relates to whether the causes of a behaviour change over time or whether the behaviour is repeatedly observed. Finally, stage three, assessors are expected to determine the level of *controllability*, which specifically refers to

whether the behaviour is attributable to skill or luck. In other words, behaviours are perceived to be controllable when the subject is credited with the ability to generate a specific outcome, rather than the outcome being the result of situational and or environmental factors (Weiner, 1985). Developments in attribution theories have led to the adoption of these ideas beyond the scope of the social psychology perspective. Adopters of attribution theoretic ideas include studies in the field of education (e.g., Stein and Wang, 1988), sport (e.g., Rejeski and Brawley, 1983) and health (e.g., Whitehead, 2001), as well as research developed within management disciplines such as marketing (e.g., Calder and Burnkrant, 1977) and human resource management (e.g., Bowen and Ostroff, 2004).

In a more simplistic manner, the underlying theme of attribution theories is a motivation to understand human perception through the various judgements and biases that form as a natural part of human cognition. These concepts have attracted scholars within the management sciences, particularly when investigating how consumer and or employee perceptions may influence organisational performance (Blodgett, Wakefield and Barnes, 1995; Folkes, 1984; 1988; Mohr and Bitner, 1995). However, attribution theory in the context of reputation penalties research, whilst intuitively promising because of the perceptual nature of both the core concepts; irresponsibility and reputation, remains empirically unexplored. Lange and Washburn (2012), specifically, have developed a framework which dissects stakeholders' attributions of corporate irresponsibility. Whilst Mishina, Block and Mannor (2012) proposed a model which explains reputational assessments as a function of behavioural cues and prior beliefs. These two studies significantly inform my conceptualisation of the reputation penalties process. Subsequently, this study argues that employing concepts from within attribution theory can provide a more nuanced understanding of reputational penalties. Furthermore, at present, the majority of empirical work lacks adequate measures of the core constructs. Resultantly, prior theories such as SCCT (Coombs and Holladay, 2006) and accepted wisdoms, such as reputation is a 'fragile' construct (Alsop, 2004) remain inadequately tested. With this in mind, my conceptualisation of the reputation penalties process begins with a more inclusive breakdown of the characteristics of irresponsibility, moving from broad categories of irresponsibility, to subtler aspects, such as the implication of vulnerable stakeholders.

In light of extant research on attribution theory, the logic underpinning this thesis begins with two key insights from this body of work; first, social evaluations are based on perceptions and not an objective reality (Wry, 2009). Accordingly, corporate reputations are viewed as social constructs formed by perceptions that create a social reality in which an organisation's reputation can fall victim to negative revaluations (Bitektine, 2011). Second, whilst reputations are the outcome of collectively held perceptions, they are also sensitive to evaluative changes at the level of individual perceivers. Therefore, reputations become sensitive to factors which effect individual

cognition (Mishina, Block & Mannor, 2012). In this chapter, I propose that changes in reputation are influenced by various contextual, historical and individual level factors. More specifically, I outline the variety in prior perceptions of the firm, past histories of offences, and factual knowledge which may affect the social evaluative process of reputation penalties. My conceptualisation also includes some of the broader facets of irresponsibility that have been utilised by the extant empirical, strategic management, reputation, crisis management as well as the finance and economics perspectives. The motivation to do this is twofold; firstly, while studies have explored the relationship between corporate irresponsibility and firm reputation before, to date, the absence of sound theoretical underpinnings have limited researchers' ability to generate robust explanations of reputation penalties. Second, theories of attribution have themselves suggested that there may be an underlying cognitive mechanism that can fundamentally influence individuals to be distinctly more responsive to negative cues than positive ones, termed as 'the negativity bias' (see Ito et al., 1998; Rozin and Royzman, 2001; Skowronski and Carlston, 1989; Vaish, Grossmann and Woodward, 2008). Research in neuroscience has also provided some support for the idea of a negativity bias - the general rationale being that the "brain is like Velcro for negative experiences and Teflon for positive ones" (Hanson and Mendius, 2009: 41). Consequently, if assessors are distinctly responsive to negative information, the possibility of a negativity bias both empirically and theoretically motivates a further exploration into the typologies and classifications of irresponsibility currently suggested by the reputation penalties literature which purports that, in most cases, corporate irresponsibility is associated with significant reputation penalties (Alexander, 1999; Engelen and van Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). In order to elucidate theories of attribution, the remainder of this chapter conceptualises the potential relationship between irresponsibility and reputation penalties as well as discusses the potential contingencies which may amplify or attenuate this relationship. I start by exploring extant typologies of irresponsibility and then go on to discuss more nuanced attribution frameworks of irresponsibility. Further to this, I specifically investigate the potential contingencies of prior perceptions of social responsibility, perceptions of celebrity status, history of corporate irresponsibility and financial performance and how these may contextualize, frame and/or shape the social judgements and impressions formation process in light of corporate irresponsibility.

2.2. The Relationship between Irresponsibility and Reputation

Extant reputation penalties research largely suggests that corporate irresponsibility, with few exceptions, is associated with significant and negative revisions in corporate reputation (e.g., Alexander, 1999; Engelen and van Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and

Wehrly, 2005). The market penalties strand of research, which is comprised primarily of the finance and economics perspectives, argues that irresponsibility is generally penalised by the marketplace. However, the relationship between irresponsibility and reputation or reputation penalties has been recently theorized as more complex, because of multiple assessments of the events themselves (Lange and Washburn, 2012) as well as being contingencies on assessors' prior knowledge and beliefs (Mishina, Block and Mannor, 2012).

This said, it is worth pointing out that attribution theory is a somewhat unified body of work and as a result there are some incongruences. On the one hand, a long history of observation in social psychology suggests that seldom do individuals update their beliefs in light of contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al., 2013; Lord, Ross and Lepper, 1979). In this way, new information is theorised to be 'path dependent', meaning that new information regarding a particular actor or subject is interpreted based on an individual's prior beliefs and knowledge regarding the specific actor or subject (Mishina, Block and Mannor, 2012). In other words, individuals' prior understanding influences their interpretation of events and thus, news which does not adequately match previously constructed views, may be dismissed. On the other hand, an additional perspective from attribution theory suggests that generally, human attention is biased towards negative cues rather than positive ones (Ito et al., 1998; Rozin and Royzman, 2001; Skowronski and Carlston, 1989; Vaish, Grossmann and Woodward, 2008). Termed the 'negativity bias', this particular perspective may explain why extant research from the market penalties literature repeatedly finds significant and negative relationships between corporate irresponsibility and organisational reputation. In order to elucidate these conflicting theories of attribution, I build into my conceptual model extant typologies and broad categories of irresponsibility suggested in the current literature as well as those more nuanced, attribution-specific characterisations of irresponsibility which are more novel. Hence, this study will also explore empirically the two somewhat conflicting conceptualisations of attribution theory. Furthermore, in this chapter I highlight that, although individuals may be more distinctly attentive to negative cues, this does not necessarily imply that assessors revise their beliefs in accordance with negative information.

Understanding the underlying characteristics of events has been suggested to be an important component of the attribution of irresponsibility process, largely because these event characteristics may play a crucial role in the perceiver's categorisation of irresponsibility (Lange and Washburn, 2012). In order for a subject to become the target of hostile social evaluations, observers are expected to deem the situation socially undesirable (Heider, 1958; Ross, 1977). Irresponsibility, much similar to reputation, is a social construct created by perceptions. Implicit in these assumptions is the idea that, events which may be perceived as significantly negative to some individuals, may, in turn, be interpreted positively by others. Porritt, (2005: 199) described

this idea best when suggesting that *“financial markets respond favorably to announcements of cost-cutting programs designed to increase profits by reducing staff costs - The wider community is less favorably disposed”*. This point was later echoed by Lange and Washburn (2012: 301) who suggested that *“corporate behaviour is socially irresponsible only to the extent that observers perceive it as such”*. Therefore, upon initial contact with the news of an event, observers have been suggested to make a preliminary calculation regarding the event's undesirability (Appiah, 2009). This calculation is suggested to be stimulated primarily by an individual's self-preservation instinct (Haidt and Bjorklund, 2008). In other words, observers of irresponsibility are expected to initially assess the negativity of an event based on a reflexive assessment of how personally threatening they perceive the event to be. In most cases however, the effects of irresponsibility do not threaten the lives, livelihoods or lifestyles of observers directly, but rather tend to conflict with moral and or social norms (Donaldson and Dunfee, 1999). It may be this moral conflict which then provides the motivation for corporate criticality. Lange and Washburn (2012) framed this as *effect undesirability*. In essence, Lange and Washburn (2012) imply that observers start by assessing the severity of an event, either because it has a direct effect on observers or because it undermines their values, with the potential of eliciting negative emotional reactions.

The crisis management and ethics literatures have argued that the sanctity of human life (Coombs; 2006; Wines and Napier, 1992), the deliberate deception of individuals (Alsop, 2004) and relatedly, the discrimination of individuals on the basis of immoral preconceptions (Dean, 2004) are broadly perceived to trigger the emotional conflict that underlies an event's perceived effect undesirability (Lange and Washburn, 2012). That said, extant typologies of irresponsibility including more broad classifications do not adequately capture the degree of stakeholder aversion to irresponsibility; extant typologies and categories bundle events with varying undesirability. For instance, a product recall which is also associated with the physical harm of infants may be significantly more undesirable and thus be associated with greater reputational risk than a product recall that only inconveniences consumers. Yet, broad categories of irresponsibility classify these two, potentially very different events from a reputational risk perspective, into a single classification, namely product recalls.

Some theories of attribution suggest that individuals are distinctly responsive to negative news, which may imply that the reputational penalties associated with the previous two examples of product recalls may be equivalent because individuals are simply cognitively biased toward negative information (Mishina, Block and Mannor, 2012). This theoretical position, however, jars with examples of corporate irresponsibility, such as the varying severity that may exist when comparing the Ford/Firestone recalls which resulted in the deaths of over 250 people and caused more than 30,000 road accidents; with the Takata airbag recalls with 11 associated

fatalities and over 100 injuries associated with it. Since no objective manner exists to predict social assessments, I build into my conceptualisation of reputation penalties more nuanced attribution frameworks together with extant typologies, including broad categories of corporate irresponsibility events, types of harm outcomes, deception and discrimination. Furthermore, the conceptual model also distinguishes between harm types such as human injuries and human fatalities to provide more nuanced conceptualisations.

Additionally, theories of attribution also suggest that organisational observers evaluate any known contextual information regarding an event in order to build an initial picture of its implications (Lange and Washburn, 2012; Mishina, Block and Mannor, 2012). This information could refer to what is relevant or what the observer considers indicative of corporate irresponsibility or the firm. One of the broadest types of irresponsibility categories suggested within the literature is the type of harm inflicted on stakeholders as an outcome of firm behaviour. Coombs (2007) suggested that irresponsibility has the capacity to harm stakeholders financially, physically or emotionally. It is still unclear whether these characteristics alone have the capacity to incite stakeholder criticality. In turn, other types of stakeholder harms exist that do not sit neatly within the classifications offered by Coombs (2007), such as an infringement of stakeholder privacy rights or violations of other civil liberties (e.g. workers being denied the right to join a union). Another potential issue with Coombs' (2007) typology of harm types is that environmental harms are captured broadly along with emotional harms. Whilst there are a number of limitations to broad categories of irresponsibility, not all cases of observed irresponsibility may provoke heterogeneity in opinion.

Attribution theorists have suggested that some incidents may create broader social disapproval because they violate widely accepted societal norms (Donaldson and Dumfee, 1999). The sanctity of human life and the deliberate deception of individuals are believed to pervade individual and or cultural differences (Donaldson, 2009). Whilst empirical evidence from the market penalties literature accepts this to be often the case (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), other scholars such as Zyglidopoulos (2001) found no support for the claim that irresponsibility associated with damage to human life has a negative impact on corporate reputation in his study of Fortune's WMAC annual survey. What might be concluded from these inconsistencies in the literature is that, we have yet to fully understand the basic underlying processes of social judgements and impressions formation and how these then relate to reputation assessments. In order to progress our understanding, the conceptual development of this specific research study will include a variety of broad event characteristics ranging from event types, such as human rights controversies, worker health and safety incidents, environmental violations and accounting

fraud, to subtler aspects of irresponsibility highlighted by Lange and Washburn (2012) to develop a more holistic conceptual approach to understanding reputation penalties.

Other nuanced aspects of the social impressions process have been offered by attribution theorists. Notably, social disapproval may be established based on a number of causal inferences, in that for a firm to become the target of disapproval, observers would have to deem the organisation to be, in some respect, culpable for the irresponsibility event. In line with the initial work of Heider (1958), scholars have suggested that observers first resolve the degree to which an effect is causal to internal versus external factors (Lange and Washburn, 2012; Mishina, Block and Mannor, 2012). In other words, social evaluators assign blame for an event to either the firm, factors within the firms' environment or a combination of the two. For example, if a firm is found to have breached workplace safety regulations and subsequently this breach resulted in the death of an employee, social evaluators may causally infer culpability towards the firm. If later it transpires that the deceased workers' faculties were diminished by drug or alcohol use on the day of the incident, it may potentially result in a diminished causal inference towards the firm from those assessing the case. The plausibility of this concept is often captured implicitly within the crisis management literature in comments that irresponsibility is highly ambiguous in nature (Boin and McConnell, 2007; Lagadec, 1997; Ulmer and Sellnow, 1997; 2000) and often used to further the argument concerning the need to tailor managerial responses to events (Laufer and Coombs, 2006; Ulmer and Sellnow, 1997; 2000). The potential relevance of these discreet nuances of corporate irresponsibility undermines the notion that broad classifications of irresponsibility are sufficient to study corporate reputation, or any other research phenomenon concerned with the subjective process of social judgements and impressions formation of individual assessors.

In other instances, stakeholders learn directly from events because of their proximity to and/or relationship with specific firm behaviours. In the example given above, employees may become aware of safety incidents because of their location or via word-of-mouth. However, because most corporate behaviour cannot be observed directly, attribution theorists suggest that individuals make attributions about the underlying characteristics of an actor based on the behaviour which they do observe (Kelley, 1973). Therefore, in addition to the contextual information highlighted by event characteristics, my conceptualisation of reputation penalties emphasises the important role of the media in drawing stakeholder attention to organisational behaviour. As many stakeholders do not experience events first hand, they rely on 'infomediaries' such as news media to deliver the message (Zavyalova et al., 2012). This may be particularly relevant for developments involving the actions of large multinational firms, as their behaviour, by definition, spans geographical boundaries and therefore news media become important in dispersing news of these organisations' actions across wider audiences. Because

Western media in particular have increased freedom to select the issues to be communicated, some incidents of corporate irresponsibility may obtain more coverage than others. This idea is captured within the literature on agenda setting, in which news have historically been somewhat significant toward influencing the collective social attention (see Rogers, Dearing and Bregman, 1993). The apparent influence of the media is even more evident when comparing the disparity in news coverage between world events. The British Petroleum oil spill off the Gulf of Mexico and the Jebel al-Zayt oil spill off the coast of Egypt are illustrative of the media gravitating towards certain events whilst neglecting others, despite both of these spills occurring weeks of one another. Although not directly relevant to the initial conceptual development outlined here, these ideas form part of the methodological orientation of the thesis, in that the reporting of irresponsibility events may be a critical factor in awareness of corporate irresponsibility events, and subsequently influence reputational assessments.

In view of building a more holistic conceptual approach, this thesis introduces an inclusive breakdown of potentially salient event characteristics, from broad categories of events to more nuanced aspects of corporate irresponsibility phenomena, such as affected party non-complicity, effect undesirability and corporate culpability. Although broad classifications have been typically used throughout the extant reputation penalties literature (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), notable studies (i.e. Zyglidopoulos, 2001) found few statistically significant findings for the relationships between irresponsibility and reputation penalties (or lack thereof). A potential reason for this could be due to the underlying nature of the reputation construct, as assessments of the firm have been suggested to vary depending on what exactly about the firm is being assessed (Lange, Lee and Dai, 2011). In the case of research which uses short-run stock market proxies of reputation, the data may be capturing risk assessments of stakeholders' own short-term financial losses rather than characteristics of the firm associated with the irresponsibility. Given that shareholders have also been suggested to overreact to bad news (Gillet et al., 2010) and that research does not track share prices over a significant period of time (most often a number of days to potentially weeks), reputation penalties may be distinctly overrepresented by the market penalties strand of reputation penalties research.

This said, the market penalties literature proposes that some stakeholders are more fundamental to the firm's business operations. More specifically, events that victimise stakeholders with direct relationships to the firm's access to resources, revenue generation and costs, may be more likely to generate significantly greater reputation penalties than events which affect the lives, lifestyles or livelihoods of stakeholders with an indirect relationship to the firm's core business operations (see Engelen and Essen, 2010). On its own, the relevance of an event category is limited from an attribution perspective, as firms can be associated with a

category of irresponsibility but not be perceived as culpable for causing the event itself (Lange and Washburn, 2012). In other words, just because a firm is mentioned to have behaved in a particular manner does not necessarily imply that assessors will perceive the firm as the culprit. What is more, assuming that causal inferences are made by stakeholders towards a specific firm, such assessments may not be considered 'diagnostic' of the firm's 'true' character or capabilities (Mishina, Block and Mannor, 2012). Herein lies my main theoretical argument in relation to the relevance of the negativity bias, as the cognitive awareness of negative cues over positive ones does not necessarily imply that individuals subsequently view negatively the subject of the cue. Observers may not always update their assessments in light of negative information, even when alerted to the possibility of potential negligence or wrongdoing because they may feel that the information is not typical or a true reflection of the organisation. Additionally, extant empirical evidence from social psychology suggests that individuals are generally reluctant to alter their established beliefs in line with contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). In turn, some categories of corporate irresponsibility are more specific and somewhat restrict the availability of alternative interpretations, particularly in the case of event categories that only come to public attention as a result of government or legal investigations, such as accounting frauds.

In some instances, the availability of alternative explanations for corporate behaviour is more limited because the likelihood of observers deriving causation to external factors within a firm's environment is relatively lower. Event categories such as accounting fraud, stock options backdating and financial restatements are such examples; in that they harm a particular group of stakeholders with a direct relationship to the firm's financial success and who have the capacity, when harmed, to hinder the organisation by for instance, withdrawing capital from the firm. Furthermore, the potential outcomes of backdating scandals, accounting fraud and financial restatements are unlike other categories of financial misconduct such as tax fraud, in that they may have a diminished capacity to be interpreted differently by different stakeholders. Particularly, taxation-centered irresponsibilities are interesting from an attribution theoretic position, as there is potential for some of the firm's stakeholders to interpret such behaviour as a positive attempt to, for instance, retain capital expenditure (Porritt, 2005). Porritt (2005) suggested that this variation in stakeholder perceptions was also the case for organisational downsizing, yet it may be applicable to other corporate behaviour with the perceived intention of maximising profitability, such as environmental violations, child labor use or human rights violations. Whilst these types of events have a distinct capacity to break widely held social norms (Donaldson and Dumfee, 1999), research has yet to determine whether different categories of corporate irresponsibility have a lasting impression on the beliefs of stakeholders because extant empirical studies tend to model the effects of irresponsibility using narrow time windows, rather than longitudinally.

With these points in mind, my conceptualisation of the reputation penalties process begins with two distinct groups of event characteristics. The first includes the broader categorisations of irresponsibility expressed by the extant literature which include the event type (i.e. product recall, accounting fraud, management compensation), the harm type (financial, physical, emotional, civil liberties and environmental) and whether the event was associated with human injuries, fatalities, deception, discrimination and job losses. These ideas are built into the conceptual model for two reasons; first, some theories of attribution have suggested that individuals are subject to negativity biases (Mishina, Block and Mannor, 2012) which may indicate that there is theoretical merit to the position that there are inevitable reputation penalties associated with corporate irresponsibility. In order to explore the relevance of this position, this study tests extant typologies prior to assessing the relevance of more nuanced attribution frameworks. Second, to date, the majority of the available empirical evidence does not adequately or robustly measure the reputation construct, providing the basis for an initial questioning of the basic assumptions of extant research. Despite the empirical attention given to reputation penalties from a market penalties perspective, the lack of sound theoretical underpinnings limits the capacity of this corpus of work to generate robust conclusions regarding the underlying nature of reputational harms. Generally, the findings from this body of literature contend that most acts of irresponsibility, with the exception of environmental harms, have a significant and negative impact on corporate reputation changes (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). Whilst the findings of the market penalties literature would support the presence of a negativity bias in the main, stakeholders have also been suggested to overreact in response to corporate irresponsibility and as a result, the findings of this body of work may be significantly overstated (Gillet et al, 2010). Informed by the positions previously described, I broadly propose that,

Proposition 1: There is no overall association between observed corporate irresponsibility and changes in corporate reputation.

Proposition 2: There is no association between observed corporate irresponsibility and changes in corporate reputation when events are categorised broadly (such as extant irresponsibility classifications, harm types, association with various harms to human life, deception, discrimination and job losses).

Proposition 3: There is a negative association between the presence of events with high degrees of perceived effect undesirability, firm culpability, and affected party non-complicity and changes in corporate reputation.

Even though the events have been suggested to provide important cues to organisational assessors regarding ‘*what* stakeholders are assessing’, the degree to which these cues are in

themselves indicative of firm irresponsibility has been questioned. In light of this, some notable studies have proposed that of equal importance to the social judgments and impressions process is also '*who* is being assessed?' (Mishina, Block and Mannor, 2012).

2.3. The Moderating Effects of Prior Stakeholder Beliefs and Knowledge

Recent theorizing within the reputation penalties literature posits that stakeholder attributions are 'path dependent', in that news regarding a firm are suggested to be interpreted on the basis of individuals' pre-existing knowledge and beliefs (Mishina, Block and Mannor, 2012). In other words, stakeholder beliefs or biases may shape the attributions made in light of the newly attained information (such as news of corporate irresponsibility). Observers 'sense-making' of events may thus be guided by their prior beliefs of the firms' character and/or capabilities. Therefore, event characteristics may only illustrate part of the broader picture of the reputation penalties process. An acknowledgement of the mediating properties of contextual information has been explored by extant reputation penalties literature, particularly from the strategic management and corporate social responsibility perspectives, where a good reputation has been argued to provide organisations a form of 'reputation insurance' that may 'offset' the associated reputational risks of corporate irresponsibility (e.g., Brammer and Pavelin, 2005; Ducassy, 2013; Godfrey, 2005; Janney and Gove, 2011; Minor and Morgan, 2011; Vanhamme and Grobbsen, 2009). Yet, expectancy-violations research has suggested that a positive prior reputation for social performance can create greater expectancy violations of corporate irresponsibility (Burgoon, 1978; Rhee and Haunschild, 2006). Empirical evidence from Janney and Gove (2011) found that firms with overall positive reputations suffered reduced market-penalties after general irresponsibility, suggesting evidence of reputation insurance/buffering. Interestingly, the study also found that firms with an enhanced reputation for certain characteristics, such as governance, were penalised more for events which pertained specifically to governance failures (Janney and Gove, 2011). This may indicate that specific types of irresponsibility are interpreted as hypocritical, prompting stakeholders to revise-down their assessments of the firm in light of such acts of irresponsibility. Similarly, Rhee and Haunschild (2006) found that automotive firms with increased reputations for product/service quality undergo significantly greater market penalties following product recall announcements.

Having said this, at present, there is uncertainty concerning the conditions that elicit these two contrasting attribution processes. On the one hand, individuals are observed to be reluctant to update their beliefs in the face of contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). Yet greater stakeholder expectations may lead some firms to be held to higher moral standards than others (Kim, 2014). Though Janney and

Gove (2011) found evidence of reputation buffering when assessing reputation more broadly, they also suggested that, when the constituent elements of reputation are unpacked, they may potentially unveil more nuanced stakeholder assessments at work.

Whilst a more comprehensive breakdown of event characteristics may assist our understanding of the types of events that are perceived as irresponsible, equally, a more extensive analysis of firm characteristics will help elucidate which firms are vulnerable to them. In other words, event characteristics may provide some analytical basis to understand; 'what stakeholders are assessing' but the nature of the firm's reputational elements may offer additional information towards the question of '*who exactly are stakeholders assessing?*' and '*what specifically about them are stakeholders assessing?*' A significant body of work has conceptualised the various facets that comprise corporate reputation, including ideas of awareness (Shamsie, 2003), brand (Saxton and Dollinger, 2004), personality (Davies et al., 2001), and the perceived quality of products and services (Benjamin and Podolny, 1999; Boyd, Bergh, and Ketchen, 2010; Rhee and Haunschild, 2006; Rindova et al, 2005; Washington and Zajac, 2005; Shapiro, 1983); as well as specific qualities attributed to the firm such as the organisation's perceived ability to generate superior financial performance (Rindova, Pollock, and Hayward, 2006), its environmental activities (Carter, 2006; Deutsch and Ross, 2003), its perceived innovativeness (Carter, 2006) and managerial competence (Mayer, 2006).

With these points in mind, I start my conceptual exploration of the possible contingencies within the reputation penalties process by assessing the relevance of assessors' prior perceptions of social performance. I begin with stakeholder perceptions of *social responsibility* because seemingly, this belief captures assessors' expectations of firm behaviour in relation to irresponsibility. Whilst socially responsible firms may not be expected to behave in such a manner or their behaviour may not be perceived diagnostic or typical of the firm's true character of capabilities; firms believed to be generally socially irresponsible may be largely expected to behave irresponsibly. I then go on to explore another stakeholder perception associated with the *celebrity status* of the firm and how a firm's degree of 'celebrity' may influence the relationship between corporate irresponsibility and changes in reputation. From these more subjective stakeholder assessments, I then explore more objective accounts regarding the frequency of past offences of the firm, namely the firm's *history of corporate irresponsibility*, as well as unpack the relevance of the firm's current *financial performance* to assess whether these factors are important to the process of reputation penalties.

Though I explore four distinct categories of stakeholder beliefs and more objective knowledge regarding the firm's character and capabilities, it has been noted that seldom does research explore multiple facets of reputation (Lange, Lee and Dai, 2011). That said, there are a number

of exceptions, each attempting to understand aspects of reputation (Brammer and Pavelin, 2006; Deephouse and Carter, 2005; Fischer and Reuber, 2007; Love and Kraatz, 2009; Staw and Epstein, 2000). In this study, the conceptualisation of the reputation penalties process follows this tradition. Therefore, I conceptualise the relationship between irresponsibility and changes in reputation to be contingent on four primary stakeholder perceptions of the firm; the first focuses on the firm's reputation for social responsibility, mainly because irresponsibility may be perceived as hypocritical or largely expected depending on the level of reputability obtained through CSR efforts. Second, the level of celebrity status of the firm may be salient to reputational assessments in light of irresponsibility because the level of firm celebrity may influence the degree of media coverage of irresponsibility attributing the firm to a negative social outcome and therefore potentially increasing the probability of wider stakeholder criticality. Thirdly, the frequency with which a firm is associated with irresponsibility is often suggested within the crisis management literature as an important facet of irresponsibility attributions (Coombs, 2006; Coombs and Holladay, 2001; 2002) that lacks robust empirical exploration to date. It is, therefore, considered appropriate to explore the firm's history of corporate irresponsibility because stakeholders may draw on past experiences of irresponsibility to determine the likelihood of the organisation's culpability (Weiner, 1985). Finally, this study conceptualises that the financial reputation of the organisation plays a role in mitigating or amplifying the effect of irresponsibility on changes in corporate reputation. I specifically highlight the importance of financial reputation, theoretically at least, because firms held in greater financial regard may 'offset' the associated reputational risks of irresponsibility, whereas firms already considered to have inadequate financial performance may be considered at a disadvantage in their attempts to remediate the effects of irresponsibility.

2.4. The Moderating Effect of Prior Knowledge of the Firm: Perceptions of Social Responsibility

Corporate social responsibility and corporate reputation have been described as being 'two sides of the same coin' (Hillenbrand and Money, 2007) and owning an enhanced reputation for social performance has been purported to buffer the potential harms associated with acts of corporate irresponsibility (Brammer and Pavelin, 2005; Ducassy, 2013; Godfrey, 2005; Janney and Gove, 2011; Minor and Morgan, 2011; Vanhamme and Grobbs, 2009). The logic being that until the news of irresponsibility emerge, the firm acted largely in accordance with social expectations of it, providing assessors with cause to omit the firm's violation. More nuanced theorisations in attribution theory suggest that the ability of an enhanced reputation to offset or buffer the reputational damage in light of irresponsibility may instead be the consequence of

assessors not considering the event 'diagnostic' of the firm's 'true' character or capabilities (Mishina, Block and Mannor, 2012). This means that assessors may not consider the news of irresponsibility to be in line with their general sense of the firm, particularly when the firm has already built positive associations with those assessors. Stakeholders may therefore not update their beliefs in the face of contradictory evidence, which is supported by a history of observations in social psychology (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979) and empirical evidence suggesting that organisational assessors are generally less inclined to penalise firms which are broadly recognised as reputable (Ducassy, 2013; Jones, Jones and Little, 2000; Pfarrer, Pollock and Rindova, 2010; Sanchez, Sotorrio and Diez, 2012). This may be because during the attribution process of corporate irresponsibility stakeholders are assessing specific aspects of a firm's character or capabilities that the behaviour pertains to (Mishina, Block and Mannor, 2012). Here, it is important to clarify that I refer to 'capabilities' as the "collective evaluations about the quality and performance characteristics of a particular firm (e.g., Milgrom and Roberts, 1986)" (Mishina, Block and Mannor, 2012: 460). Whilst aspects of a firm's 'character' relate specifically to the "collective judgments regarding a firm's incentive structures and behavioral tendencies based on observations of its prior actions... note that character reputations are not simply about incentive structures, but rather about the imputation that stakeholder groups make about the target organization's goals, preferences, and organizational values (e.g., Love and Kraatz, 2009)" (Mishina, Block and Mannor, 2012: 460).

However, Janney and Gove (2011) found that governance-related irresponsibilities were more significantly impactful for firms which had previously positive reputations pertaining to governance. This may indicate that firms with prominent elements to their reputation such as being well governed, socially responsible, or innovative may suffer more significant reputation penalties when events of corresponding nature are revealed to its stakeholders. Irresponsibility, and the subsequent reputation penalties that may follow, may therefore be highly context specific. Some acts of corporate irresponsibility may be seen as less relevant or diagnostic, particularly when the firm has enhanced perceptions pertaining to social responsibility. Stakeholders may, however, also view the actions of socially responsible organisations as hypocritical when associated with corporate irresponsibility. Yet, generally, research in social psychology suggest that individuals rarely update their perceptions in light of contradictory information. For this reason, firms believed to be poor social performers may also benefit from this tendency, as irresponsibility may be largely expected and thus assessors tend not to change their perceptions. Whilst this may be beneficial in light of corporate irresponsibility, it may not be as beneficial when firms attempt to enhance their reputations (Du, Bhattacharya and Sen, 2010; Elving, 2013; Yoon, Gürhan-Canli and Schwarz, 2006). Firms with neither distinctly positive nor negative social responsibility reputations may be, theoretically at least, most

vulnerable in light of irresponsibility because they neither own the reputational insurance associated with having a positive reputation for social responsibility nor are expected to largely behave irresponsibly. Therefore, it is generally proposed that,

Proposition 4a: Firms with strong positive and strong negative prior reputations for social responsibility will not be associated with significant reputation penalties in light of corporate irresponsibility.

Proposition 4b: Firms with moderate (above and below average) prior reputations for social responsibility will be associated with significant reputation penalties in light of corporate irresponsibility.

2.5. The Moderating Effect of Prior Knowledge of the Firm: Celebrity Status

A distinctive aspect related to corporate reputation is its status relative to other peer organisations (Rindova, Pollock and Hayward, 2006). Firms with greater celebrity status may be able to garner increased stakeholder attention because external audiences tend to follow prominent firms more closely (Brooks et al., 2003) particularly in the news media (Carroll and McCombs, 2003). When a firm reaches a high degree of prevalence within the markets and wider communities in which it operates, it may be endowed with a degree of celebrity that can have both positive and negative implications for that firm. On the one hand, it appears logical to assume that celebrity firms may have distinct advantages over non-celebrity firms in their ability to communicate marketing messages, attract talented labour and or negotiate better contractual terms with other organisations such as suppliers and distributors. However, the ability to generate increased stakeholder attention may not be as beneficial when the firm engages in, or is associated with, acts of irresponsibility. Specifically, organisations with celebrity status may be more widely exposed to stakeholder criticality. In their analysis of 'earnings surprises' using US stock market data, Pfarrer, Pollock and Rindova (2010: 1144) found that "firms possessing either high reputation or celebrity experience greater rewards for positive surprises and smaller penalties for negative surprises than firms that do not possess these assets". Whilst this study suggests that increased celebrity status may shield the firm from stock market losses, it is unclear how earnings announcements impact reputation. In light of irresponsibility, being a celebrity firm may have its downsides. These disadvantages may be particularly salient in incidents where stakeholders find it implausible to attribute responsibility for an event to external factors. As suggested earlier in this chapter, Lange and Washburn (2012) identified that, the degree of corporate culpability is likely to be an important aspect of assessors' irresponsibility attributions. A straightforward extension of this theorisation is that incidents which have few

plausible external causes focus stakeholder attention towards a single culprit. Further, when the event involves a firm with greater celebrity status, it may increase the number of potential stakeholders that will also conclude the firm to be culpable for causing the event. Equally, firms which do not possess a celebrity status, particularly those with very low visibility amongst potential organisational assessors, garner less attention following discreditable corporate behaviours. In this context, being a non-celebrity firm, or being 'under the radar', may influence the frequency of news of irresponsibility, in that irresponsibility is less known to the firm's wider audiences, therefore mitigating the potential impact and frequency of stakeholder criticality. Since some firms are better known than others (Pfarrer, Pollock and Rindova, 2010), this study proposes that,

Proposition 5a: Firms with increased levels of organisational celebrity will be distinctly vulnerable to reputation penalties in light of corporate irresponsibility.

Proposition 5b: Firms with moderate to low levels of organisational celebrity will not be vulnerable to reputation penalties in light of corporate irresponsibility.

2.6. The Moderating Effect of Prior Knowledge of the Firm: History of Corporate Irresponsibility

From an attribution perspective, stakeholders' contextual knowledge may be utilised in order to generate more accurate causal inferences in light of irresponsibility. This is because assessors may repeatedly observe organisational behaviour over time and in multiple situations (Weiner, 1985). Repeat observations have the potential to create both a corporate reputation endowed with being known for positive characteristics, such as being a good social actor or being financially successful - as well as negative ones, such as having a propensity for creating social, economic and or environmental harm (Coombs, 2007; Dean, 2004; Schultz, Ultz and Gortiz, 2011; Weber, Erickson and Stone, 2011). However, firms may develop both positive and negative reputational attributes based on a variety of observations amongst different aspects of corporate social, economic, environmental and operational performance. What is more, some types of behaviours are more common in specific industries, which may alter norms and expectations - particularly when organisations are perceived to be relatively similar (Yu and Lester, 2008). This may be the case within the automotive industry with product recalls, or product harm associated often with firms operating in the pharmaceutical industry, or environmental incidents within the petrochemical industry as well as intellectual property disputes which are more frequent in the consumer technology industry. These observations of

similar behaviours amongst various firms operating within an industry tend to create stakeholder expectations surrounding specific types of irresponsibility.

That said, whilst certain industries may have a propensity for certain kinds of irresponsibility, the more frequent an organisation is associated with wrongdoing, the more likely assessors may be to infer their behaviour as part of an unfolding pattern of events, rather than an isolated, 'one off' incident. With this in mind, this study builds into the conceptual model the contingent effect of a firm's history of irresponsibility. In doing so, this study places stakeholder judgements and impressions in a more natural setting, whereby stakeholders are believed to attribute causation based on multiple observations of firm behaviour, rather than in isolation (Weiner, 1985). This may be particularly relevant when the culpability of an event is ambiguous; consequently, the reoccurrence of a firm being associated with a negative outcome would make it more likely for assessors to conclude that the firm is, indeed, (one of) the culprit(s) (Coombs, 2006). Organisations that have not been frequently associated with acts of irresponsibility may be given the 'benefit of the doubt' and considered to merit further observation before assessors revise their reputational assessments in light of irresponsibility. With the previous points in mind, this study proposes that,

Proposition 6a: Firms with the most populous history of corporate irresponsibility will be distinctly vulnerable to reputation penalties in light of corporate irresponsibility.

Proposition 6b: Firms with moderate to the least populous history of corporate irresponsibility will not be vulnerable to reputation penalties in light of corporate irresponsibility.

2.7. The Moderating Effect of Prior Knowledge of the Firm: Financial Performance

Strong financial performance may bolster stakeholders' overall impressions of firm reputation, particularly when the assessor group has a primarily economic relationship with the firm. Fundamentally, economic capabilities may be the single most relevant aspect of reputation for certain assessor groups, such as shareholders, market analysts, competitors and other peer organisations. This study makes the theoretical assumption that assessments of corporate reputation following an observed act of irresponsibility are shaped by stakeholders' assessments of financial performance because the focal assessor groups employed here have an economic relationship with the firms in the sample. More specifically, the occupations of market analysts are specifically oriented around the assessment of organisations' financial capabilities, whilst managers may be motivated to maintain a keen sense of the competition and the broader

market players' financial health over time, because this knowledge may prove strategically beneficial to their own organisations (Hambrick, 1982).

With this in mind, I theorise that enhanced financial performance may shield the firm from significant and negative assessor revisions in light of corporate irresponsibility akin to suppositions advanced by the strategic management perspective which suggests that generally, a positive prior reputation may play a role in offsetting the risk associated with irresponsibility (Brammer and Pavelin, 2005; Ducassy, 2013; Godfrey, 2005; Janney and Gove, 2011; Minor and Morgan, 2011; Vanhamme and Grobбен, 2009). In terms of general observations of irresponsibility, I suggest that firms with strong financial performance may offset the associated reputational risks, whereas worse financial performers may be in a significantly weaker position after revelations of irresponsibility because the firm may already be considered to be underperforming. Those performing neither distinctly well, nor poorly, may be able to tolerate moderate reputational risks when compared to those with lesser financial performance because a proportion of the firm's reputation, that of financial performance, is somewhat more enhanced. The aggregate perceptions of those with enhanced financial performance may be able to withstand greater impacts in other domains where they are being assessed, such as impacts to perceptions of social responsibility. Moderate economic performers may neither be particularly penalised, nor able to shield themselves from the totality of the risks associated with stakeholder wrongdoing because their reputations for financial performance are neither enhanced enough buffer from the effects associated with irresponsibility nor, I theorise, are they insignificant. In view of these points, it is proposed that,

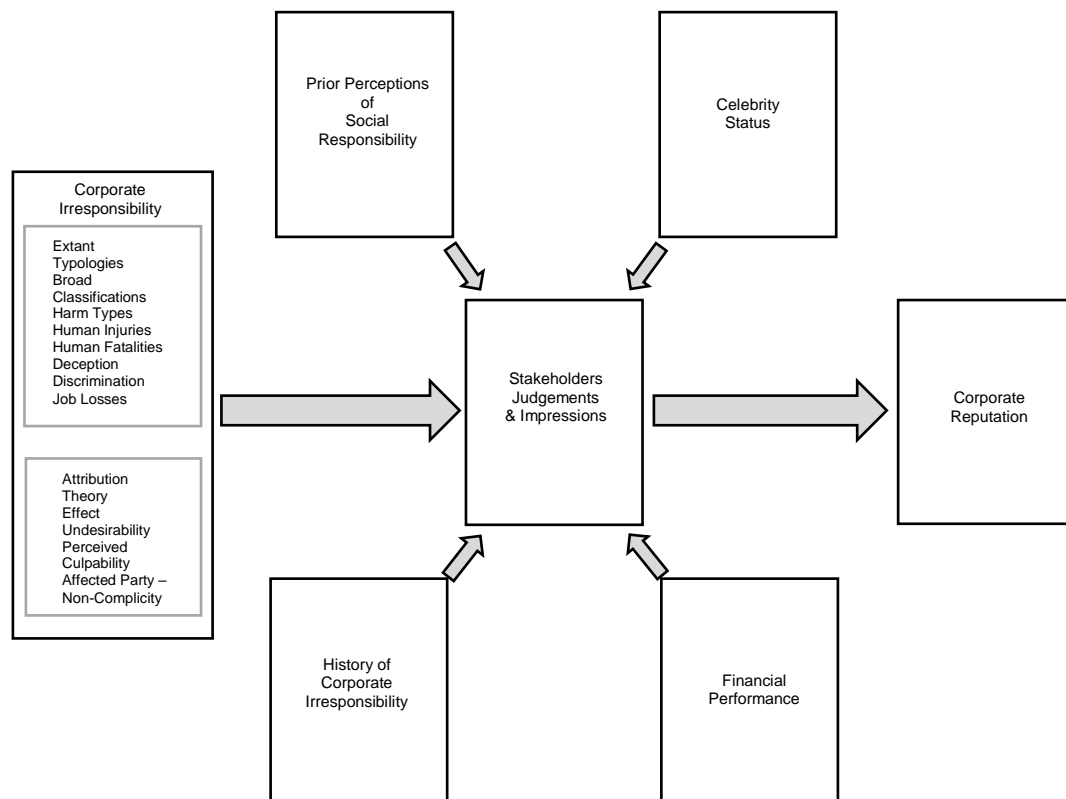
Proposition 7a: Firms with increased financial performance will be not be distinctly vulnerable to reputation penalties in light of corporate irresponsibility.

Proposition 7b: Firms with lower levels of financial performance will be increasingly vulnerable to reputation penalties in light of corporate irresponsibility.

2.8. Conceptualising the Process of How Corporate Irresponsibility Impacts Social Evaluations of the Firm

With the previous points in mind, here I give an overview of my conceptualisation of the relationship between corporate irresponsibility and changes in corporate reputation. In each empirical chapter, I refer to the corresponding features of this conceptual model in order to illustrate the relevant concepts of interest. Here, my conceptual framework starts with the primary relationship between 'irresponsibility characteristics', the 'stakeholder judgements and

impressions' of these, and the subsequent possibility that this process may lead to downstream aggregate revisions in 'corporate reputation'. My conceptualisation of this process places stakeholders' social judgements and impressions at its heart. This is in line with perspectives of attribution (Lange and Washburn, 2012; Mishina, Block and Mannor, 2012), as well as the views of sociologist and philosopher Habermas (1975: 58) who suggested that "the crisis cannot be separated from the viewpoint of the one who is undergoing it". Habermas's (1975) proposition is central to the theoretical (and later methodological) conceptualisation of the link between



corporate irresponsibility and changes in corporate reputation. Fundamentally, the conceptual model describes that, any potential source of reputation risk is the result of social evaluations made in light of irresponsibility and its constituent components. The constituents of irresponsibility are illustrated in the box titled 'Corporate Irresponsibility' and are divided into two discreet sections; the first section describes extant typologies and broad categories of irresponsibility which are typical of the reputation penalties research. The second group specifically pertains to more recent, attribution specific characterisations of irresponsibility, namely those offered by Lange and Washburn (2012) i.e. 'effect undesirability', 'perceived culpability' and 'affected party non-complicity'.

Figure 2.1: Overarching conceptual framework on the relationship between corporate irresponsibility and changes in corporate reputation

However, events do not exist in isolation as stakeholder judgements and impressions may be drawn from a rich biography of pre-existing knowledge and perceptions of the firm (Mishina, Block and Mannor, 2012). Therefore, my conceptualisation of the link between irresponsibility and changes in corporate reputation is also contingent on four aspects of stakeholders' prior knowledge of the firm illustrated in *Figure 2.1*. Later in the empirical chapters of this thesis, I go on to model the effects of each in turn. Further, my conceptual model first describes more subjective contingencies in this relationship, namely social responsibility reputation and celebrity status. In line with my previous discussion, perceptions of social responsibility and celebrity status may significantly differ depending on the organisation. These differences may in turn shape stakeholders' judgements and impressions in light of irresponsibility. Thus, I build into my model the variables, 'prior social responsibility' and 'celebrity status'. Subsequently, I explore these two contingent aspects of the firm in *Chapter 5*.

What is more, I also describe two other relevant, yet distinctly more objective aspects of the firm which may influence stakeholder judgements and impressions, namely the firm's 'history of corporate irresponsibility' and 'financial performance'. I describe these two variables as more 'objective' characteristics and capabilities than perceptions of social responsibility and celebrity status because these elements are more factual in nature; prior incidents of irresponsibility and the financial performance of the firm are grouped together and explored in *Chapter 6* of this thesis. Taken in its entirety, my conceptualisation of the relationship between irresponsibility and changes in corporate reputation places stakeholder judgements and impressions at its center. This position is in line with attribution theories which emphasise the importance of social perceptions of both irresponsibility attributes (Lange and Washburn, 2012) and their subsequent effects on corporate reputations (Mishina, Block and Mannor, 2012). This departs from previous, large-scale empirical work on reputation penalties (Alexander, 1999; Engelen and van Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005), which has a tendency to abstract social perceptions away from the process of reputation penalties. Here I put 'the perceiver' back into analytical focus, suggesting that stakeholder interpretations in light of irresponsibility may be influenced by both characteristics of irresponsibility (extant typologies and attribution-based irresponsibility characteristics) as well as shaped by their prior beliefs (social responsibility and celebrity status perceptions) and knowledge of the firm (history of corporate irresponsibility and financial performance). *Figure 2.1* illustrates my conceptualisation of this relationship and will be partially depicted as a point of reference throughout the empirical chapters of this thesis.

CHAPTER 3: METHODOLOGY

3.1. Introduction

This chapter will cover the overall research strategy of this thesis. In other words, it will not cover details of samples or methodology specific to the empirical chapters - that will be covered within each empirical chapter; it will rather present overarching information about the methods used and key considerations that underpin this work. It will start with a discussion on the epistemology and ontology that guided this research. This will be followed by an explanation of the research strategy and design used in relation to what has been done in previous empirical reputation penalties research. Then, this chapter discusses the data employed. Again, this chapter does not intend to cover the specific sample of each empirical study, but rather present the key data sources and justify the choice of data. Finally, the chapter concludes with a brief discussion of the limitations of the approach utilised.

3.2. Epistemology and Ontology

Epistemology refers to “what is (or should be) regarded as acceptable knowledge in a discipline” (Bryman, 2008: 13). There are two core epistemological paradigms with other sub-paradigms branching off from these over time. Namely positivism and interpretivism, are divided within the broader discussion on whether the social world can and should be studied following the same approach as the one applied to the natural sciences (Bryman, 2008). Positivism is an epistemological position that supports the application of the methods of the natural sciences to the study of the social world. Among other aspects, positivism proposes that an objective external reality exists beyond our descriptions of it and that only knowledge that can be confirmed by the senses can, in fact, be considered knowledge (Bryman, 2008). The position that underlines this study is that corporate social performance is an observable phenomenon which, despite the challenges discussed earlier can, in fact, be measured.

Ontology, on the other hand, refers to whether the social world is external to the actors (objectivism), or if it is something actors are in the process of building and modifying continuously (constructionism) (Bryman, 2008). If understood as a continuum between those extremes, this thesis leans towards objectivism, in that it views organisations as concrete objects, with their own set of rules, procedures and hierarchies that exist separate from actors.

3.3. Research Methodology

The research methodology applied in this thesis is guided by the objective to answer three main questions on the relationship between irresponsibility and changes in corporate reputation:

- (1) Is irresponsibility associated with broad reputational effects?
- (2) Which characteristics of observed irresponsibility are associated with the most significant reputation penalties?
- (3) Which perceived firm attributes are most relevant to the reputation penalties process?

3.4. Research Strategy

Here I describe the research strategy of this thesis. At the broadest level, a choice of whether quantitative or qualitative data is necessary and or appropriate considering the nature of the research questions asked. The latter places emphasis on language typically through an inductive approach, viewing our social reality in constant change, as a result of individuals' creation (Bowen, 2008). Quantitative methods however focus specifically on quantification of phenomena and instead view social reality as an objective one, external to the social actor. Though commentators in the philosophy of social sciences have generally steered away from the term positivism because of problems associated with the underlying nature of studying 'open' social systems (Bhaskar, 1975) and some level of unease with reductionist approaches (Bullock and Trombley, 1999), the positivist paradigm generally uses a deductive approach to establishing the relationship between theory and research, i.e. going from theory, to hypothesis building, data collection, results, review of hypotheses and of theory (Bryman, 2008). Work from the positivist paradigm typically utilises a quantitative research strategy and is followed by a process of deduction, as outlined below:

1. Theoretical review: review of different theories explaining the relationship between irresponsibility and changes in corporate reputation. Development of an overarching conceptual framework, followed by specific theoretical pieces within each empirical chapter, i.e. focusing on each empirical question.
2. Hypotheses: Based on the theory, development of specific hypotheses in regards to each of the three empirical questions within each empirical chapter.
3. Data collection: Based on the theoretical review and informed by previous empirical work, gathering of secondary data followed both for the dependent and independent variables.
4. Findings: Data analysis followed, and relevant findings emerged.
5. Hypotheses review: Following the findings, the hypothesised relationships were reviewed and either supported or not supported.

6. Revision of theory: A discussion on the extent to which, and how specifically findings and theory align or contradict each other, closes each empirical chapter and the overall thesis.

Although the epistemological landscape is significantly richer than outlined above (Boyd, 1991; Brown, 1970; Hacking, 1983; Hesse, 1980) the underlying motivation of the research questions in this study necessitates an epistemological orientation which is conducive to assessing large quantities of perception-based data. To manage a large number of observations, a quantitative strategy was identified most appropriate.

3.5. Research Design

This thesis employs a longitudinal research design which involves repeated observations of the same variables over time (Bryman, 2008), making it a valuable tool to employ in this study in order to understand, for example, what influences *changes* in corporate reputation.

3.6. Method of Analysis

Given this thesis' interest in understanding predictors of reputation penalties, and in line with previous studies on corporate reputation or reputational penalties (notably, Brammer and Millington, 2004; Brammer and Pavelin, 2006), this study employs multiple linear regression analysis. This statistical method was applied due to the characteristics of the dependent variable, which is a continuous, scalar variable; and the mix of both categorical and continuous independent variables which can either positively or negatively influence a firm's reputation scores. Regression coefficients for linear relationships represent the mean change in the dependent variable (changes in reputation) for every one unit of change in the independents, while holding other predictors in the regression model constant.

3.7. Alignment with Research Within the Broader Reputation Literature

In addition to being methodologically appropriate to achieve the objectives of this thesis, the choices of strategy, design and methods are largely aligned with some previous research on corporate reputation more broadly (e.g., Brammer and Millington, 2005; Brammer and Pavelin, 2006) and one study specifically on the phenomena of interest (see Zyglidopoulos, 2001). The majority of empirical research on reputation penalties is quantitative in orientation with more robust works from the market-penalties perspective generally utilising large data samples (e.g., Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009); however, longitudinal approaches remain lacking in this literature.

3.8. Data

It should be specified here that the dataset is an unbalanced panel and estimations use pooled data. This section presents the dependent and independent variables used in this study. Specific details on the sub-sampling and building of the dependent variable will be provided within each empirical chapter. This section will offer an overview of the variables used, the sources used and some of the challenges encountered in the process of data collection. Following a revision of the literature and the conceptual development, independent and control variables were selected for each empirical chapter. *Table 3.1* below summarises the variables used, how they are measured and the data sources; a more detailed description of the variables follows. Each independent variable measures a specific aspect of corporate irresponsibility.

3.8.1. Dependent and Independent Variables

(1-2) *Corporate Reputation*

To test general propositions derived from the theoretical model presented in the previous chapter, I employ Fortune Magazine's World's Most Admired Companies survey. The WMAC survey has been conducted yearly by Fortune magazine since 1983. In this survey, each corporation is rated relative to its competitors on eight key attributes. These attributes are (a) quality of management; (b) quality of products or services; (c) innovativeness; (d) ability to attract, develop, and keep talented people; (e) long-term investment value; (f) financial soundness; (g) use of corporate assets; and (h) community and environmental responsibility. For this rating, an 11-point scale is used (0 = poor, 10 = excellent). The companies that appear in the WMAC survey consist of the 5 to 10 largest companies in each of the 46 industries from the Fortune 1,000 list for the year prior to the year of the survey. The respondent sample consists of senior executives and outside directors of Fortune 1,000 companies and financial analysts who cover these companies. I use firm reputation ratings across eight annual surveys (2005-2012) in order to develop a longitudinal assessment of the reputation penalties process over time. This yielded a total of 3850 company years, or an average of 226 firms per survey. My research questions are designed to examine reputation penalties i.e. changes in corporate reputation and as a result, the dependent variable in this study is measured as the year-to-year change in reputation scores.

Although a number of research strategies have been employed to measure corporate reputation, including market share (Fang, 2005), media analysis (Deephouse and Carter, 2005), rankings by students (Cable and Graham, 2000; Turban and Greening, 1997), stock market proxies (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009) and a number of surveys (Abraham et al., 2008; Fombrun, Gardberg

and Sever, 2000; Fombrun and Shanley, 1990; Zyglidopoulos, 2001), there is still some debate about the relevance and appropriateness of various forms of reputation measures and data (see Berens and Van Reil, 2004; Chun, 2005; Fryxell and Wang, 1994). This is mainly due to the breadth in potential respondent groups, their relationship to the firm as well as the nature of the assessments these respondents make. In other words, because reputations could be assessed using any stakeholders, or stakeholder groups' perceptions about the firm, measurements of corporate reputation may vary considerably on the basis of *who's* perceptions are collected, *how* or *in what context* these perceptions are collected, as well as *what* specifically about the firm's character, capabilities, favorability and so on, is explored. Fundamentally, market-based measures of corporate reputation are limited in their capacity to capture the corporate reputation concept because it is questionable whether they are, in fact, assessing reputation, or simply the firm's capability of generating short-term financial returns. Walker (2010: 372) summarises the core issue with market-based methods by quoting Wartick (2002), in that "[c]orporate reputation should be measured as stakeholders' perceptions – not factual representation". Media representation techniques on the other hand scan the available media press/reports on organisations and through linguistic analysis, weight the media tone to generate an aggregate favourability score for sample firms (Deephouse, 2000). Media representations of reputation may capture only the perceptions of a medium non-representative of wider audiences.

Consequently, a third potential strategy to obtain corporate reputation data for this research study was using large-scale survey methods such as *Fortune* or *Reputation Quotient*. Although Reputation Quotient, like Fortune, asks for participant perceptions on a number of firm attributes and characteristics oriented to obtain a sense of the emotional appeal of the firm, its financial performance, its social responsiveness and so on – Reputation quotient is not widely accessible. Fortune data however, is similar in the sense that it too asks a number of participants for their perceptions of various firms. Furthermore, Fortune's WMAC survey asks participants to rate firms on eight key attributes (described previously). This said, some scholars have pointed out that Fortune data has a significant financial orientation because its respondents are managers and market analysts (e.g., Fryxell and Wang, 1994). Due to this, some research suggests that data collected in the WMAC survey tends to be "*limited to measuring the extent to which a firm is perceived as striving for financial goals*" (Fryxell and Wang, 1994: 1) because this may be the most relevant dimension of reputational elements to this group of reputational assessors. Even so, it remains the most conceptually representative and widely source of reputation data.

Table 3.1: Summary of dependent, independent and control variables

Variable name	Values/ Measures	Source(s)
(1) Corporate reputation	11-point scale (0= "poor"; 10= "excellent")	Fortune magazine, WMAC survey
(2) Changes in corporate reputation [LAG]	Changes in the reputation scores from one year to another	Author's calculations
(3) ANY_EVENT	Whether or not there were any events of corporate irresponsibility acts in a given year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(4) EVENT 1_Management compensation	Whether management compensation controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(5) EVENT 2_Shareholder rights	Whether shareholder rights controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(6) EVENT 3_Earnings restatements	Whether earnings restatements controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(7) EVENT 4_Insider trading	Whether insider trading controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(8) EVENT 5_Accounting controversies	Whether accounting controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(9) EVENT 6_Consumer_related issues	Whether consumer related controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(10) EVENT 7_Product and service quality	Whether product and or service related controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(11) EVENT 8_Environmental spills and pollution	Whether environmental spills and pollution controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(12) EVENT 9_Product recalls	Whether recall controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(13) EVENT 10_Intellectual property	Whether intellectual property controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(14) EVENT 11_Public health	Whether public health controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(15) EVENT 12_Taxation	Whether taxation controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(16) EVENT 13_Anti-competition	Whether anti-competition controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(17) EVENT 14_Human rights	Whether human rights controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(18) EVENT 15_Child labour	Whether child labour controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(19) EVENT 16_Freedom of association	Whether freedom of association controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(20) EVENT 17_Diversity and opportunity	Whether diversity and opportunity controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(21) EVENT 18_Wages and working conditions	Whether wages and working conditions controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(22) EVENT 19_Employee health and safety	Whether employee health and safety controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis
(23) EVENT 20_Ethics	Whether ethics controversies were identified in a year 1= "yes"; 0= "no"	ASSET4, LexisNexis

Table 3.1: Summary of dependent, independent and control variables (*continued*)

Variable name	Values/ Measures	Source(s)
(24) HARM 1_Financial harm	Whether financial stakeholder harms were identified in a year 1= "yes"; 0= "no"	LexisNexis
(25) HARM 2_ Physical harm	Whether physical stakeholder harms were identified in a year 1= "yes"; 0= "no"	LexisNexis
(26) HARM 3_Emootional harm	Whether emotional stakeholder harms were identified in a year 1= "yes"; 0= "no"	LexisNexis
(27) HARM 4_Civil liberties harm	Whether civil liberties harms were identified in a year 1= "yes"; 0= "no"	LexisNexis
(28) HARM 5_Environmental harm	Whether environmental harms were identified in a year 1= "yes"; 0= "no"	LexisNexis
(29) INJURIES	Whether the firm has been associated with stakeholder injuries in a year 1= "yes"; 0= "no"	LexisNexis
(30) FATALITIES	Whether the firm has been associated with human fatalities in a year 1= "yes"; 0= "no"	LexisNexis
(31) DECEPTION	Whether the firm is accused of deceiving stakeholders in a year 1= "yes"; 0= "no"	LexisNexis
(32) DISCRIMINATION	Whether the firm is accused of discrimination in a year 1= "yes"; 0= "no"	LexisNexis
(33) JOB LOSSES	Whether the firm has been associated with loss of employment in a year 1= "yes"; 0= "no"	LexisNexis
(34) EFFECT_UNDESIRABILITY	Whether firm actions are perceived as morally negative in a year Continuous variable measured from LIWC	LexisNexis - Author's calculations
(35) CULPABILITY	Whether the firm was solely responsible for a corporate irresponsibility event in a year 1= "yes"; 0= "no"	LexisNexis
(36) NON-COMPLICITY	Whether the stakeholders affected by the corporate irresponsibility event are perceived as vulnerable 1= "yes"; 0= "no"	LexisNexis
(37) EFFECT_UNDESIRABILITY AND CULPABILITY	Measures the presence of both observed effect undesirability and observed culpability	LexisNexis - Author's calculations
(38) EFFECT_UNDESIRABILITY AND NON-COMPLICITY	Measures the presence of both observed effect undesirability and observed non-complicity	LexisNexis - Author's calculations
(39) NON-COMPLICITY AND CULPABILITY	Measures the presence of both observed non-complicity and observed culpability 1= "yes"; 0= "no"	LexisNexis - Author's calculations
(40) EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY	Measures the presence of observed effect undesirability and observed culpability and observed non-complicity	LexisNexis - Author's calculations
(41) CORPORATE_LEVERAGE	Ratio of long term debt to total assets	DataStream
(42) RETURN ON ASSETS (ROA)	Ratio of pre-tax profits to total assets	DataStream
(43) FIRM_SIZE	Logarithm of the value of total assets	DataStream
(44) R&D INTENSITY (RDASS)	Ratio of R&D expenditures to total assets	DataStream
(45) SOCIAL SCORE (SOC_SCORE)	Scores are a number between 0 and 100 that show the firm's social performance	ASSET4
(46) ENVIRONMENTAL SCORE (ENV_SCORE)	Scores are a number between 0 and 100 that show the firm's environmental performance	ASSET4

Table 3.1: Summary of dependent, independent and control variables (*continued*)

Variable name	Values/ Measures	Source(s)
(47) CORPORATE GOVERNANCE SCORE (CGV_SCORE)	Scores are a number between 0 and 100 that show the firm's corporate governance performance	ASSET4
(48) Year 2006	1= "yes"; 0= "no"	ASSET4
(49) Year 2007	1= "yes"; 0= "no"	ASSET4
(50) Year 2008	1= "yes"; 0= "no"	ASSET4
(51) Year 2009	1= "yes"; 0= "no"	ASSET4
(52) Year 2010	1= "yes"; 0= "no"	ASSET4
(53) Year 2011	1= "yes"; 0= "no"	ASSET4
(54) Year 2012	1= "yes"; 0= "no"	ASSET4
(55) Industrial sector	SEC codes classification 1= "yes"; 0= "no"	ASSET4

Using the ASSET4 dataset as a guide to observations of corporate irresponsibility for my sample, ASSET4 yielded a total of 4,542 observations for the sample firms for years 2003-2011. I then began a media search process (see Flammer, 2013) designed to both verify the ASSET4 dataset as well as provide the initial media reports to later explore for additional supplementary data. I used the LexisNexis search engine to identify media reports. I was able to specify results for specific organisation as well as the year in which the event occurred. Furthermore, I then searched for a number of key terms related to the underlying events as well as a list of broad search terms constructed to capture media reporting of corporate irresponsibility such as "bribery", "lawsuit", "outrage", "misconduct", "failed" and so on (see *Appendix 3* and *4* for a full list of search terms used). I chose LexisNexis for its capabilities to specify search results as well as it drawing data from a wider range of reliable sources, i.e. both media press (e.g., Wall Street Journal, Financial Times) and corporate communications sources (online published corporate rhetoric). Following the process of identifying how many observations each event had in a year (if any), some of the event categories were identified in multiple event categories and were therefore recoded into a single event classification. Additionally, if searches resulted in the finding of media reporting of irresponsibility not included by ASSET4, these observations were added to the dataset. This process resulted in 3,696 confirmed incidents of corporate irresponsibility for further examination.

Following the media search process, I then extracted and processed the data from the articles identified. To reduce researcher subjectivity, I standardised the process of data-extraction by producing a pro forma. The pro forma included a mixture of quantitative and qualitative coding

variables. The pro forma document was then used as the basis for all subsequent coding of files from LexisNexis (see *Appendix 3 and 4*). Furthermore, the similarity of event classifications presented by the ASSET4 dataset necessitated a reduction in the total number of event types to 20 categories from over 30; EVENT 1= 'management compensation'; EVENT 2 = 'shareholder rights'; EVENT 3 = 'earnings restatements'; EVENT 4 = 'insider trading'; EVENT 5 = 'accounting controversies'; EVENT 6 = 'consumer-related issues'; EVENT 7 = 'product and service quality'; EVENT 8 = 'environmental spills and pollution'; EVENT 9 = 'product recalls'; EVENT 10 = 'intellectual property'; EVENT 11 = 'public health'; EVENT 12 = 'taxation'; EVENT 13 = 'anti-competition'; EVENT 14 = 'human rights'; EVENT 15 = 'child labour'; EVENT 16 = 'freedom of association'; EVENT 17 = 'diversity and opportunity'; EVENT 18 = 'wages and working conditions'; EVENT 19 = 'employee health and safety'; and EVENT 20 = 'ethics.

Next, the resulting articles of the media search were utilised to **compile more specific information about each event**. The articles were coded to reflect the underlying nature of events, including the *broad types of associated stakeholder harms* ('financial', 'physical', 'emotional', 'civil liberties', 'environmental'); *specific types of stakeholder harms* ('injuries', 'fatalities', 'deception', 'discrimination', 'job losses'); and *event characteristics* such as whether the corporate irresponsibility event was desired by the firm ('effect undesirability'), whether the firms was perceived as responsible for the events ('culpability') and whether the party affected by the firm's actions was perceived as particularly vulnerable ('affected party non-complicity'). Following these searches, the total number of usable observations in the regression models is $N=1,311$.

With regards to the variable specifics such as; how they are measured and what they measure, I describe each variable here in more detail:

(3) I use the variable '**ANY_EVENT**' to measure all identified acts of corporate irresponsibility per firm year without initially distinguishing between the different types of acts of irresponsibility. This is a dichotomous variable that takes the value of '1' if the firm has been associated with corporate irresponsibility events in general in a given year and '0' otherwise.

(4-23) The variables '**EVENT_1**' '**EVENT_20**' measure whether specific types of acts of irresponsibility affect corporate reputation. These classifications of corporate irresponsibility events describe the types of incidents that the observation most closely conforms to and are as follows: **(4) EVENT 1= 'management compensation'**, refers to incidents which pertain to the perception of wrongdoing regarding management incentives and remuneration; **(5) EVENT 2 = 'shareholder rights'**, refers to events that undermine stockholders' abilities to exercise their legal rights regarding various business activities; **(6) EVENT 3 = 'earnings restatements'**, describes announcements of accounting irregularities which require the firm to revise its

earnings; **(7) EVENT 4 = 'insider trading'**, refers to events where actors related to the firm use confidential knowledge to exploit the stock market; **(8) EVENT 5 = 'accounting controversies'**, describes events whereby a firm's accounts have been manipulated, tampered or faulted; **(9) EVENT 6 = 'consumer-related issues'**, describes the various contexts whereby consumers are harmed by a firm's behaviour and not as a direct result of a product quality issue; **(10) EVENT 7 = 'product and service quality'**, this specific classification of irresponsibility refers to incidents whereby a firm's products or services directly harm stakeholders as a result of potential quality issues; **(11) EVENT 8 = 'environmental spills and pollution'**, describes events resulting in the detriment of the wider natural world including air, sea and land as well as any other natural resources; **(12) EVENT 9 = 'product recalls'**, illustrates events whereby a firm, either voluntarily or involuntarily, removes their product from the market and/or requires customers to return their goods; **(13) EVENT 10 = 'intellectual property'**, refers to a certain category of events whereby the protected intangible property of a firm is claimed to be utilised by another without consent; **(14) EVENT 11 = 'public health'**, describes a class of non-consumer related health impacts associated with organisational behaviour; **(15) EVENT 12 = 'taxation'**, refers to a class of events whereby the focal firm is associated with tax irregularities; **(16) EVENT 13 = 'anti-competition'** events describe the association with a set of illegal business practices motivated to reduce competition in the marketplace; **(17) EVENT 14 = 'human rights'**, describes events which undermine the basic access to certain resources and fairness of treatment of individuals; **(18) EVENT 15 = 'child labour'** refers to the illegal practice of employment of individuals under the legal age, yet may also include moral judgements of age appropriateness when the host government lacks an adequate requirement; **(19) EVENT 16 = 'freedom of association'** events describe those which undermine employees' access to join representative bodies such as unions; **(20) EVENT 17 = 'diversity and opportunity'** refers specifically to events which employ discriminatory business practices that challenge stakeholders' abilities to gain access to resources or fair treatment; **(21) EVENT 18 = 'wages and working conditions'** events describe non-health related incidents that undermine employee access to resources or fair treatment; **(22) EVENT 19 = 'employee health and safety'** events refer to incidents with actual or potential outcomes to employee health; and finally, **(23) EVENT 20 = 'ethics'** is a more general category of corporate irresponsibility events that do not conform to the categories previously described. Another interesting aspect related to the "ethics" category is that it sits uneasy with stakeholder assessments of morality yet events of breaking ethical norms are not known to breach any explicit or extant legal parameters. These event classifications are all dichotomous variables and each take the value of '1' if the firm has been associated with a corporate irresponsibility event and '0' otherwise.

(24-28) HARM_TYPES measure the *specific influence* an act of corporate irresponsibility has upon the victimised stakeholder group. In other words, this variable looks at *how* stakeholders

are affected; i.e. a product recall could cause environmental harm, financial harm, physical harm, or simply inconvenience the stakeholders involved. The specific types of harm measured here are as follows: **(24) HARM 1 = 'financial'** captures those events with associated financial harms towards victimised parties; **(25) HARM 2 = 'physical'** describes those events with distinct physical harms on victimised parties; **(26) HARM 3 = 'emotional'** captures events associated with emotional harms on victimised parties; **(27) HARM 4 = 'civil liberties'** describes those events with associated potential future stakeholder harms e.g., online privacy controversies; **(28) HARM 5 = 'environmental'**, capture events that may affect the environment. Harm types are also dichotomous variables and each takes the value of '1' if the firm has been associated with events that were perceived to cause a certain type of harm and '0' otherwise.

(29) INJURIES measures the specific effect of associated human injuries on changes in corporate reputation, whilst **(30) FATALITIES** describes events associated with human fatalities. This study distinguishes between the two forms of physical harm because events with associated fatalities may be perceived as more severe than those with associated injuries, potentially. The ability to distinguish between these types of physical harm resulted from conducting content analysis of media reports from searches of LexisNexis database. In turn, **(31) DECEPTION** captures incidents where the focal firm is associated with, or accused of, the deception of an individual or stakeholder group(s). **(32) DISCRIMINATION** describes incidents whereby the firm is associated with discriminatory behaviour towards an individual or stakeholder group(s). Again, this study is able to measure this variable because of the analysis conducted on the supplementary content of media reports, where information on these types of harm was identified. **(33) JOB LOSSES** measures incidents associated with the loss of employment of current or previous employees. Similar to the previous variables discussed here, data on job losses was compiled by hand via content analysis of media reports.

(34) EFFECT_UNDESIRABILITY measures events that are associated with a certain degree of moral disregard by organisational observers. In order to measure the degree of moral disregard of stakeholders regarding specific organisational behaviours, I then analysed the content of the media reports identified using the Linguistic Inquiry and Word Count software (LIWC). LIWC analyses bodies of text and produces measures of the extent to which a body of work contains particular key words. The software automatically codes words and phrases using underlying dictionaries developed in psychology and linguistics research (see Tausczik and Pennebaker, 2010). In particular, the percentage of the words in a given body of text that pertain to sadness and anger were extracted for analysis. In order to generate an overall measure of the undesirability of a given event, I multiplied the cumulative percentage of the articles expressing anger and sadness by the overall volume of media coverage, as measured by the total word count of media articles relating to instances of irresponsible conduct.

(35) CULPABILITY measures the proportion of blame the firm is perceived to have in relation to causing a negative outcome or the availability of alternative causal parties for an effect. In other words, for a negative event, the culprit may not only be the single firm, but others associated with it. Here, culpability measures whether an incident was reported alongside other potential causal agents. This was derived by analysing the content of media reports by hand. When a firm was solely implicated in the cause of an event without mention of other potential attributable parties, the dichotomous variable noted culpability ('1') and no culpability otherwise ('0'). This proxy of culpability is in line with extant theorisation, in that Lange and Washburn (2012: 305) suggest that "[w]hen the firm is the target of the perceiver's attributional activity, the critical causal question to be resolved is to what extent the source of the negative effect is internal rather than external to the firm (Green and Mitchell, 1979; Heider, 1958; Mitchell and Wood, 1980). Evidence supporting external explanations would include the cognitive availability of plausible alternative causal agents". Therefore, restricting the availability of suggested causal agents may increase the potential of perceived corporate culpability because other possible explanations for the cause of an effect are not considered.

(36) NON-COMPLICITY measures the perceived affected party non-complicity evoked by an event. The 'non-complicity' variable specifically measures incidents that are associated with groups of stakeholders likely to be seen as non-complicit and evoke increased sympathy from the general stakeholder pool. These stakeholder groups were chosen because of the strength of the association between them and the two facets of non-complicity originally suggested by Shaver (1985); "(1) the power to act to prevent the effect and (2) knowledge of foresight of the effect (Lange and Washburn, 2012: 307). The variable non-complicity therefore indicates that the event victimised one of the following potentially perceived non-complicit parties; (1) children, (2) the elderly, (3) those with long-term significant health issues, (4) pregnant women, (5) the significantly economically disadvantaged and (6) the disabled. From an attribution perspective, the main thrust of non-complicity (also referred to as vulnerability) is the identification of sympathy elicited by broader assessors, evidenced by the statement "[i]n particular, more physically or mentally vulnerable affected parties are more likely to elicit perceptions of victim innocence, which would include the young, the very old, and defenseless" (Lange and Washburn, 2012: 307). When a firm was perceived to harm a non-complicit or vulnerable party, the dichotomous variable noted non-complicity took the value of '1' and the value of '0' otherwise.

(37) EFFECT_UNDESIRABILITY AND CULPABILITY measures the presence of both observed effect undesirability and observed culpability. The rationale here is that a variable which measures the combined effect of organisational actions perceived as immoral for which the firm is considered as the main culprit may better explain corporate reputation because the

combination of these characteristics may be more indicative of corporate irresponsibility than each individual characteristic. In the same vein, **(38) EFFECT_UNDESIRABILITY AND NON-COMPLICITY** measures when the event is characterised by both moral disregard and the affected party is perceived as non-complicit, or in other words, vulnerable; whilst **(39) CULPABILITY AND NON-COMPLICITY** is a proxy that measures situations when the firm is perceived as culpable for an event where the affected party is perceived as non-complicit; and is measured as '1' when the two characteristics are present and '0' otherwise. Finally, **(40) EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY** is a variable that tests for the effect of all three event characteristics being present on changes in reputation. This variable is measured as '1' when the three characteristics are present and '0' otherwise.

3.8.2. Control variables

Strong financial performance in a firm is generally associated with healthy corporate strategising, good management and efficient resource allocation, all of which are considered to help a firm establish and or maintain a good reputation (e.g., Roberts and Dowling, 2002; Brammer and Pavelin, 2006). In turn, reputational assessors tend to be risk adverse, in which case, when two firms have similar levels of financial performance, firms perceived to offer lower risk, are considered more likely to have higher reputation scores (e.g., Fombrun and Shanley, 1990). Furthermore, a higher degree of leverage may influence institutional assessments in a negative manner as it may be perceived as a burden upon future returns. A measure of each firm's **(41) LEVERAGE**, measured by the ratio of total debt to total assets and **(42) RETURN ON ASSETS (ROA)**, measured as the ratio of pre-tax profits to total assets, were extracted from accounting data courtesy of DataStream.

Generally, firm growth can be associated with some level of managerial effectiveness and internal performance, in which case, over time, larger firms are expected to have accumulated better reputation than their smaller counterparts. Larger firms also tend to be more visible to reputational assessors, and this imbalance in information available may influence reputational scores. A measure of **(43) FIRM SIZE**, measured as the natural logarithm of the value of total assets, was collected from DataStream and included in all the regression models. Furthermore, in light of the link drawn previously between firm reputation and product range (Fombrun and Shanley, 1990), this study accounts for the fact that firm reputation may be affected by those activities that foster the differentiation of its products from competitors such as technological advantages and innovation. Thus, each firm's **(44) R&D INTENSITY (RDASS)** is measured as the ratio of R&D expenditures to total assets; data is collected using DataStream.

This study also measures how well the firms score in various areas associated with reputational performance (e.g., Brammer and Pavelin, 2006). **(45) SOCIAL_SCORE (SOC_SCORE)** measures *“a company’s capacity to generate trust and loyalty with its workforce, customers and society, through its use of best management practices. It is a reflection of the company’s reputation and the health of its license to operate, which are key factors in determining its ability to generate long term shareholder value”*. **(46) ENVIRONMENTAL SCORE (ENV_SCORE)** measures *“how well a company uses best management practices to avoid environmental risks and capitalize on environmental opportunities in order to generate long term shareholder value”*. Furthermore, based on recent evidence, the composition of shareholders exerts a significant influence on corporate behaviour, including reputational effects (Brammer and Pavelin, 2006). Specifically, a strong presence of institutional investors may signal that the activity of the firm is well monitored. I followed Ryan and Schneider (2002), Brammer and Pavelin (2006) and Johnson and Greening (1999) and measured **(47) CORPORATE GOVERNANCE_SCORE (CGV_SCORE)** as *“the sum of the proportions of firm equity held by long-term institutional investor groups, i.e. pension funds, insurance companies and life assurers”*. These variables are available in DataStream where they are measured on a scale from 0 to 100 illustrating the firm’s performance scores in these three areas.

Finally, **(48-54) year** effects (calculated as dummy variables) and **(55) industry** effects (calculated as dummy variables and classified according to the SEC industry classification code) were included in the regression models as fixed effects but not reported.

3.9. Summary

This chapter aims to present an overview of key methodological aspects of this thesis. Further details, regarding the analysis and sub-sampling methods used to unpack the effect of corporate irresponsibility on changes in corporate reputation according to firm characteristics, are included in the empirical Chapter 5 and Chapter 6. This thesis uses a quantitative strategy and a longitudinal design throughout. The methodological choices discussed in this chapter are considered to offer the most appropriate alternative to answer the research questions, they also allow for coverage of a large number of firms and furthermore, they permit conducting observations of corporate irresponsibility over time.

CHAPTER 4: UNPACKING THE RELATIONSHIP BETWEEN IRRESPONSIBILITY AND CHANGES IN CORPORATE REPUTATION

4.1. Introduction

In this chapter I begin to explore the relationship between aspects of irresponsibility and changes in corporate reputation by modelling for both broad and distinct characteristics of observed irresponsibility on changes in corporate reputation for a sample of US firms for an 8-year period between 2003 and 2011. The subsequent longitudinal research offered in this chapter specifically seeks to answer; (1) whether firms associated with acts of corporate irresponsibility subsequently incur reputation penalties? (2) Do firms experience more significant reputation penalties when they are associated with certain types of irresponsibility? (3) What are the characteristics of irresponsibility that reputational assessors penalise firms most severely for? With this in mind, the aims of this chapter are:

- To examine whether an association with acts of observed corporate irresponsibility leads to reputation penalties.
- To explore whether certain types of irresponsibility lead to greater reputation penalties for associated firms.
- To assess the specific qualities of irresponsibility that are most significantly penalised by reputational assessors.

A long held assumption within the corporate reputation literature is that reputation is a fragile intangible asset that is distinctly susceptible to damage in the face of corporate irresponsibility (Koronis and Ponis, 2012; Minor and Morgan, 2011; Scott and Walsham, 2005). This is not surprising considering that the most rigorous empirical research on the topic of reputation penalties to date suggests that, with few exceptions, acts of irresponsibility significantly and negatively impact corporate reputations (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009). Due to the ever important role intangible assets play in the total valuation of firms (Teece, 1998), the practitioner community has actively circulated the idea that firms should be proactive in the management of corporate reputation as well as take threats to it very seriously (Alsop, 2004; Firestein, 2006; Gaines-Ross, 2010; Garcia, 2006; Jacka and Scott, 2011; Neufeld, 2007). These two elements have culminated in the broad thematic assumption that reputations are distinctly fragile in the face of corporate irresponsibility. However, this stance sits uneasy with real-life examples of corporate irresponsibility, as some of the world's most reputed organisations have been associated with significant social, environmental or economic harms with seemingly little reputational impacts.

Apple - for example - has been associated with numerous working conditions controversies in its supply chain, environmental impacts, product quality issues and intellectual property lawsuits despite being ranked as World's most admired company for nearly a decade (Fortune, 2016). Similar observations can be made regarding Google (tax evasion), Amazon (working conditions), Walt Disney (human rights violations), Starbucks (environmental impact), General Electric (employment discrimination) and Nike (human rights abuse). Though non-exhaustive, this list of seemingly inconsistent case evidence raises some fundamental questions regarding the assumption that irresponsibility is associated with significant reputational risks. These contrasting evidence bases may be the result of limitations associated with the market-penalties stream of empirical research, namely that this strand of research does not measure reputation but rather proxies declines in stock prices, the sub-discipline also defines the scope of research over narrow time windows of several days to weeks. These limitations have been noted to compound into a method of measurement with a tendency to capture market behaviour when it is most prone to overreact (Gillet et al, 2010) and thus research to date may only tangentially inform our understanding of reputation penalties.

That being said, one attribution perspective contends that individuals have a distinct negativity bias, which means that we are more perceptive to negative events than we are in relation to positive events (Mishina, Block and Mannor, 2012). This idea is largely supported by research in neuroscience (Gordon et al, 2008; Hamlin, Wynn and Bloom, 2010) - the general rationale being that the "brain is like Velcro for negative experiences and Teflon for positive ones" (Hanson and Mendius, 2009: 41). If this position is of merit, then extant typologies of irresponsibility as well as the broad findings of the market penalties perspective may be more representative of reputation penalties. However, there are a number of conflicting theories of attribution yet to be empirically explored in the reputation penalties context. Observational evidence from social psychology suggests that seldom do individuals alter their perceptions when faced with contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). Scholars have suggested that only when certain contextual conditions are met are assessors likely to attribute irresponsibility for the event (Lange and Washburn, 2012). This conflict of attribution perspectives as well as the potential for a 'negativity bias' provides the basis for an initial exploration into extant research and typologies of irresponsibility akin to those found in extant reputation penalties research to date.

Figure 4.1 below highlights the relevant concepts and line of research enquiry investigated in this empirical chapter.

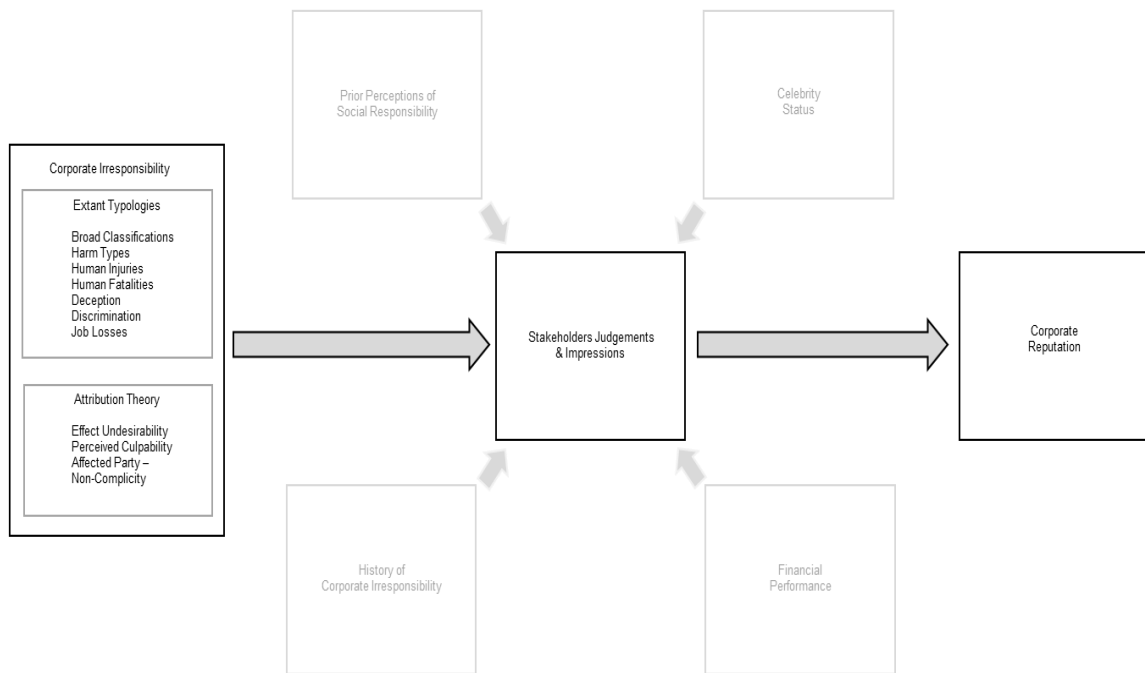


Figure 4.1: Empirical Chapter 1 conceptual overview of the relationship between corporate irresponsibility and changes in corporate reputation

4.2. Do firms associated with acts of corporate irresponsibility subsequently incur reputation penalties?

Though the majority of evidence to date suggests that acts of corporate irresponsibility are associated with significant reputation penalties (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), research which faithfully captures the perceptions of stakeholders in this research context is considerably lacking. A noteworthy study by Zyglidopoulos (2001) using Fortune Magazines World's Most Admired Companies (WMAC) annual survey data assess how categories of irresponsibility relate to reputational decline over a 6-year period between 1989-1995. Zyglidopoulos (2001) found that, contrary to extant research from the finance and economics perspectives, irresponsibility was not significantly penalised in most cases (Zyglidopoulos, 2001: 433). I propose that although assessors' minds maybe more perceptive to negative events (Mishina, Block and Mannor, 2012), it is unlikely to frequently translate into subsequent corporate criticality because often the firm may only be associated with irresponsibility and not perceived culpable for causing a negative social, economic or environmental outcome. This is the basis of the attribution theoretic ideas put forward by Lange and Washburn (2012) in that irresponsibility is only perceived as

such when some degree of effect undesirability, perceived culpability and or affected party non-complicity are present. Therefore, I hypothesise that:

H4.1: There is no significant relationship between the presence of corporate irresponsibility and changes in corporate reputation.

4.3. Do Firms Associated with Broad Categories of Irresponsibility Incur Reputational Penalties?

Potentially, firms may be more reputationally susceptible to certain types of irresponsibility. This idea forms much of the basis for theories proposed within the crisis management literature (Coombs, 2006; 2007). Historically, empirical reputation penalties research tends to segment observed irresponsibility on the basis of broad categories. These categories describe the underlying behaviour and/or outcome(s) of events. Often categories are employed such as human rights violations, working conditions controversies, environmental violations and product recalls which are broad in their potential scope and encompass events with varying perceived severity and significance. In this way, it is unclear whether broad categories of irresponsibility such as 'product recalls' are damaging to reputations because they inconvenience customers, physically harm them or are associated with significant financial harms. Individual differences in incident severity may thus have different effects on changes in corporate reputation. Again, empirical research from the market-penalties literature proposes that most categories of irresponsibility are significantly penalised with the exception of environmental violations (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). From an attribution perspective, this method of categorising events may be seen as overly simplistic because it lacks an appreciation for how individuals interpret information and what underlying features are most indicative of irresponsibility to organisational assessors (Lange and Washburn, 2012). Also, because cases of observed irresponsibility may be difficult to define, research may often classify events that span multiple categorisations into a single 'event type'. For instance, product recalls from the pharmaceutical industry are often associated with consumer health and safety issues, yet these both represent two distinct groups of irresponsibility potentially. Recalls which are not associated with health and safety outcomes may be perceived as less severe by reputational assessors. The result of representing irresponsibility in this way is that research may be testing somewhat arbitrary groups of events which are likened only by factors which do not adequately capture any substantive elements of the event's undesirability.

Moreover, work which models for the effects of broad categories of irresponsibility on reputation or changes in reputation, may overlook multiple nuances of stakeholder expectations of the firm. For instance, firms from specific industries may be more commonly associated with specific types of irresponsibility, which desensitises stakeholders to news of such behaviour. More specifically, it may be that recalls are generally expected in the pharmaceutical or automotive industries but depart from norms set over time within the aviation industry. Furthermore, environmental harms caused by firms within the petrochemical industry may be largely expected by its stakeholders whereas environmental harms caused by consumer technology organisations may not be expected. Similarly, losses of human life may be considered an integral aspect of some organisations operating within the healthcare industry but are not within the catering industry. Stakeholders may therefore draw upon a host of prior knowledge to gauge the severity of events (Kelley, 1967). Therefore, broad categories of irresponsibility may be more or less relevant based on the industry in which a firm operates. Similarly, an idea that is currently undeveloped in the reputation penalties literature, is that organisations with certain business models may also be associated with different stakeholder expectations around particular behaviours. More specifically, through the lens of attribution theory it might be plausible to assume that firms with low cost business models may be held to lower human rights and social responsibility standards than firms adopting more premium priced models. The logic being that certain corporate behaviours are implicitly written into the contract of service between some stakeholders (such as customers) and low cost providers. Stakeholders of cost-leading organisations may expect a diminished ability of the firm to provide goods and services at low prices whilst also meeting high ethical standards. For instance, the Rana Plaza workplace safety incident seemingly had little effect on Primark's reputation and did little to blunt its sales growth despite the deaths of factory workers due to unsafe working conditions (The Times, 2013). Wal-Mart continues to be considered one of the world's most reputable organisations (Fortune, 2016) despite a history of reported abuses within its supply chain. What these examples may imply is that the relationship between broad categories of irresponsibility and reputation is more complex when considered from a more nuanced theoretical perspective. Yet, this method of broadly categorising events remains the status quo in the reputation penalties research to date.

Indeed, human perception has been suggested to be biased towards negative events (Mishina, Block and Mannor, 2012). Thus, broad categories of irresponsibility may potentially provoke stakeholder criticality towards firms. Although I contend that, because the organisation may only be *associated* with an irresponsibility (and not perceived as culpable for causing it) broad categories of irresponsibility largely neglect the nuances of irresponsibility that impart their distinctiveness to reputational assessors. In light of these points, I argue that broad categories of irresponsibility have a less significant relationship with reputation than previously suggested in the majority of empirical reputation research. Therefore, I hypothesise that:

H4.2: There is no significant relationship between broad classifications of irresponsibility and changes in corporate reputation.

4.4. Harm Types: Physical, Emotional, Financial, Environmental and Civil Liberties Harms

Another potential - yet broad - method for assessing observed irresponsibility is the nature of the undesirable outcome. One common feature of corporate irresponsibility is that each has, to a greater or lesser extent, some form of economic, social or environmental outcome which has the potential to be perceived as irresponsible in some manner. This outcome may be experienced by an organisation's stakeholders or by the wider natural environment. Coombs (2007: 164) suggested three key ways in which stakeholders may be harmed, namely "physically, emotionally and/or financially". Though categorising events on the basis of the type of stakeholder harm may be considered broader still than the previous 'categories of irresponsibility' (i.e. product recalls, accounting frauds and so on), research has yet to fully explore whether certain types of harm have general effects on reputation. From an attribution perspective, the merit to exploring broad harm types stems from the potential for some incidents to break widely held social norms and morality, which therefore may elicit a broadly negative response (Donaldson and Dumfee, 1999). To date, the finance and economics perspectives suggests that the market generally penalises events which impacts 'people' whilst irresponsibilities towards the environment are not sanctioned by the market (Engelen and Van Essen, 2011). However, preliminary research by Zyglidopoulos (2001) on the effects of physical harm using large-scale survey methods found no significant effects between physical harm and reputations, though harms toward the natural environment were, in fact, sanctioned (Zyglidopoulos, 2001). However, thus far, empirical research remains salient on how significant these harm types are when compared to other forms of outcomes.

Though distinctly stakeholder oriented, financial, physical and emotional harms neglect two broad irresponsibility outcomes; first, environmental harms are missing. Depending on the proximity of the stakeholder group to the environmental impact, stakeholders are often not directly impacted by environmental incidents. Cases such as the British Petroleum oil spill, illustrate the potential for environmental harms to affect stakeholders financially and/or physically as residents and businesses nearby were adversely affected because of their proximity to the spill. This said, environmental harms do not directly affect the lives, lifestyles or livelihoods of the majority of organisational stakeholders in the main. Therefore, this category of outcomes may be seen as distinctive and separate. This distinction to place environmental harms as separate here is an important one, particularly for research such as this which aims to empirically test equivocal research findings of a body of literature, for which, environmental

harms are considered insignificant by the market penalties strand of research (Engelen and Van Essen, 2011) and reputationally damaging by research utilising large-scale survey methods (Zyglidopoulos, 2001). Similarly, a second and emerging category of harm sits unevenly within Coomb's (2007) typology namely, events that harm stakeholders' 'civil liberties'. This specific category of harm is becoming increasingly more established as an issue of concern in the ether of corporate criticality (Hond et al., 2014; Pollach, 2010; Solove, 2007). The prevalence of this class of outcome, coupled with the distinctive feature of 'putative' or 'potential' losses that are not yet incurred - though purported to be damaging to reputations, distinguishes it from the other previously described outcomes. Civil liberties events include issues of privacy as well as the right to join groups of interest such as unions. This distinct group of harm outcomes emphasise the potential future losses incurred by stakeholders rather than any immediate costs incurred. What is more, the rationale to distinguish between these categories has some theoretical merit, as attribution theories posit that perceivers tend to be more aware of events which they find personally threatening (Lange and Washburn, 2012). Therefore, because of the prevalence of issues such as privacy and global warming in recent years, research which assesses the current perceptions of stakeholders may find issues concerning civil liberties and the environment more personally threatening than prior research, such as that conducted by Zyglidopoulos (2001). With these points in mind, I hypothesise that:

H4.3a: There is no significant relationship between financial, physical and emotional harms and changes in corporate reputation.

H4.3b: There is a significant and negative relationship between environmental and civil liberties harms and changes in corporate reputation.

4.5. Injuries and Fatalities

Zyglidopoulos (2001: 434) called for more work which examines the reputational threats associated with damage to human life because *"damage to human life has no impact on a firm's reputation for social performance, no matter how tentative or preliminary at this point, is quite surprising because, if nothing else, it is clearly counterintuitive"*. The observation that incidents harming human life does not have an effect on firm reputation for social performance, a seemingly more relevant and corresponding aspect of reputation affected by such events, is somewhat puzzling from a general reputation perspective. How can firms associated with events which harm human life not have their reputations decline? From an expectancy perspective, stakeholders may, to some extent, anticipate a certain behaviour by organisational actors (Burgoon, 1978). Incidents which result in harms to human life, particularly in the transportation

industries such as rail and aeronautics, and to a similar extent, the petrochemical industries (where spills and pollution have historically resulted in a number of cases of health related impacts), may be largely expected. Therefore, observers may have a diminished sensitivity to the news of such events. These exact industries comprise the focal sample of Zyglidopoulos's (2001) research, which found no evidence to suggest irresponsibilities resulting in human harms had an effect on reputations for social performance.

From an attribution perspective, the association with stakeholder harms may not be indicative of a firm's culpability. Lange and Washburn (2012) cite the earlier work of Heider (1958), Jones and Nisbett (1972) and Kelley and Michela (1980) to suggest that "[j]udgments of causality and moral responsibility are the product of a rational knowledge-seeking process in which the perceiver considers the available evidence. With respect to causality, the perceiver develops lay theories – common sense explanations - about why or how effects have occurred" (p. 305). Further, they add that "the critical causal question to be resolved is to what extent the source of the negative effect is internal rather than external to the firm" (Lange and Washburn, 2012: 305). In other words, Lange and Washburn propose that assessors of irresponsibility consider the contextual information surrounding an event to diagnose who is to blame. If parties other than the firm are involved, this may weaken causal attributions. These ideas are speculative and are yet to be empirically explored in relation to reputation penalties. Though it also appears reasonable to extend this logic here, in that whilst employees of the firm are considered part of the firm from a legal standpoint, this may not be the case from a social psychology perspective. There may be some merit to suggest that assessors may perceive employees as somewhat morally separate from the firm, and therefore, if ample organisational oversights were present (i.e. such as safety checks and standards fulfilled) observers' 'common sense explanations' may hold specific individuals to blame for human casualties, rather than the wider organisation.

However, a key issue within research to date that models harms to human life on changes in corporate reputation is that generally they do not distinguish between events which injure and those that fatally injure. Zyglidopoulos (2001) for instance, states; "[d]amage to human life refers to people who were injured or killed because of a particular accident" (p420). However, the perceived effect undesirability may be potentially greater for events which lead to loss of human life compared to events that injure stakeholders. As previously discussed, a subsequent decline in reputation as a result of harms to human life may be largely dependent on culpability attributions and specific stakeholder expectations. Often events harming the health of stakeholders may be in the context of potential risks to health, such as travel, pharmaceuticals, alcohol, tobacco, catering and so on. Thus increasing the variety of alternative 'common sense' explanations for an event's cause, may decrease the overall likelihood of culpability attributions that target the associated firm. What is more, in some industry contexts, news of harms to

human health may be, to some extent, expected. In turn, some incidents may break widely held social norms. The sanctity of life is generally considered one of them (Donaldson and Dunfee, 1999; Donaldson, 2009). However, large-scale empirical work which assesses the reputational threat associated with human injuries independently from fatalities is currently lacking.

In sum, due to the multi-contingent nature of how harms to human life may be perceived there is a reasonable conceptual argument to suggest that irresponsibility associated with human injuries would not have a broad effect on reputation. Specifically, culpability attributions and expectations may be highly context-specific. Whilst injuries may be perceived as fundamentally less severe than events with associated fatalities, contrastingly, fatalities seen through an attribution perspective have greater potential 'effect undesirability' - meaning greater potential for observers to view the situation as morally objectionable (Lange and Washburn, 2012). Furthermore, this specific moral objection, namely the sanctity of human life, has long been suggested to be one of the core social principles which spans beyond cultural differences (Donaldson and Dunfee, 1999). Whilst theories of attribution also contend that culpability is often not 'clear cut' and may be associated with significant ambiguities (Heider 1958; Jones and Nisbet, 1972; Kelley and Michela, 1980), because the loss of human life is also associated with strong individual emotions, I hypothesise that:

H4.4a: There is no significant relationship between cases of observed human injuries and changes in corporate reputation.

H4.4b: There is a significant and negative relationship between cases of observed human fatalities and changes in corporate reputation.

4.6. Deception, Discrimination and Job Losses

Another key set of moral objections suggested by the extant literature is that the active deception and discrimination of individuals is widely considered to break social and or moral norms (Alsop, 2004; Dean, 2004). That being said, firms are also associated periodically with accusations of deceptive behaviour, such as unfulfilling promotional promises (Dell), tax frauds (Google), accounting fraud (Tesco), withholding information from the public (Facebook), which leads to a general sense that deception alone may not be a significant factor in the relationship between irresponsibility and reputation penalties. Whilst discrimination may undermine fundamental ideas of fairness and equity (Donaldson and Dunfee, 1999), particularly in the Western world, where individuals broadly subscribe to a 'meritocratic' political philosophy, meaning that individuals are believed to gain progress and achievements through personal

merits and abilities, rather than class, race, sex, age or ethnicity (Young, 1958; Castilla, 2008). Discrimination could be viewed as conflicting this belief. Attributions of discrimination may again be largely contingent on the context. The victimised party, for example, may elicit sympathy from the wider stakeholder community depending on the qualities of the individual that was discriminated against. Age discrimination, for example, may not be considered immoral by all assessor groups (Garstka et al., 2004). Furthermore, the financial, emotional or physical condition the stakeholder was in when the firm harmed them may also be considered by reputational assessors. Whilst it is difficult to advocate that victims can be perceived as complicit in cases of discrimination, attribution theories suggest that increased sympathy may be garnered by those in more disadvantaged circumstances (Lange and Washburn, 2012).

From the viewpoint of the wider stakeholder community, some issues may become increasingly prevalent, such as that of civil liberties and environmental issues previously discussed in this chapter, whilst others seemingly become less so. Job losses have become a regular feature of the modern job market. News of jobs losses, from an expectancy perspective, may not violate expectations of wider stakeholder groups because the news of job losses is somewhat anticipated. The notion of a 'job for life' has been largely discharged by the majority of western workers, as evidenced in the Human Resource literature (Gilbert, 1998; Foster, 2015). Though on one level, job losses may be a largely accepted condition of modern employment, from an attribution perspective, managers and industry analysts (for which are participants in WMAC data) may consider some instances of job losses as indicative of both good and bad news for the financial health of the firm. Porritt, (2005: 199) observed that; "financial markets respond favorably to announcements of cost-cutting programs designed to increase profits by reducing staff costs - The wider community is less favorably disposed". Lange and Washburn (2012: 301) propose that "corporate behaviour is socially irresponsible only to the extent that observers perceive it as such." As the majority of the wider stakeholder pool is not personally threatened by jobs losses (Haidt and Bjorklund, 2008) and layoffs do not conflict with moral or social norms (Donaldson and Dunfee, 1999) corporate criticality as a result may be minimal. Empirically unpacking the relationship between job losses and reputation penalties may have some merit to it, because there may be contexts where job losses are seen as indicative or diagnostic of the reputational or financial faltering of the firm. That said, I expect no significant effect of job losses on changes in corporate reputation, because the analysis in this chapter considers all firms irrespective of their particular characteristics. Thus I hypothesise that:

H4.5: There is no significant relationship between cases of stakeholder deception, discrimination or job loss and changes in corporate reputation.

4.7. What are the Underlying Features of Irresponsibility that Reputational Assessors Penalise Firms Most Significantly for?: Unpacking Attribution Theory

In the previous sections of this chapter it is discussed how I anticipate broad classifications and extant typologies of irresponsibility to impact corporate reputations. Though some theories of attribution suggest that individuals are subject to negativity biases, in that generally assessors are more perceptive of negative over positive information (Mishina, Block and Mannor, 2012), I suggest that the broad typologies of irresponsibility utilised by extant research will not elicit significant reputation penalties when assessing reputation penalties using a more 'perception oriented' (Wartick, 2002) measure of corporate reputation. I argue this position because the various characteristics of irresponsibility captured by extant typologies and classifications may not be perceived within themselves indicative of corporate irresponsibility by organisational assessors. Thus, from an attribution perspective, the treatment of irresponsibility by extant research to date may be considered as somewhat crude because this research generally neglects more nuanced and complex observer considerations. In contrast to this, in this study, I unpack how the attribution process may shape reputation penalties in light of corporate irresponsibility. I do so in order to systematically test the relevance of extant theories of attribution. Here, I adopt ideas from social psychology within the context of corporate irresponsibility. More specifically, this study draws on the framework offered by Lange and Washburn (2012) which conceptualises the potential considerations of organisational assessors in relation to corporate irresponsibility and how this may impact levels of subsequent criticality.

4.7.1. Individually Assessing the Efficacy of Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

Based largely on evidence from social psychology, Lange and Washburn's 2012 Academy of Management Review article titled 'Understanding Attributions of Corporate Social Irresponsibility' describes a number of possible mechanisms by which organisational observers assess potentially irresponsible events. Building on the work of Heider (1958), Lange and Washburn (2012) argue that understanding individuals' common sense explanations for irresponsibility is at the route of attributions of irresponsibility. The authors assume that observers are generally fairly rational (Lange and Washburn, 2012: 302). However, human observations suggest that the lay-person is increasingly prone to biases, particularly in instances whereby features of the behaviour are salient to the individual (Heider, 1958). Lange and Washburn (2012: 308) propose that "[o]bserver attributions of corporate social irresponsibility depend on the combined presence of three components: observer assessments that the effect is at least somewhat undesirable, observer assessments that the corporation is at least

somewhat culpable, and observer assessments that the affected party is at least somewhat noncomplicit". However, here I discuss each component separately in view of later independent testing of these three explanatory factors. I do so in order to gain a sense about the degree of salience of each irresponsibility component to reputational assessors.

The first aspect of the framework offered by Lange and Washburn (2012) articulates the initial observer calculation of the event's 'effect undesirability'. This in essence describes the level of perceived 'severity' observers ascribe to an event. The authors state that this is determined by one of two possible assessments; either an event is perceived as personally threatening to the lives, lifestyles or livelihoods of the observer (Crouch, 2006) or the event undermines the assessor's moral values, in which case a degree of emotional response is provoked (Donaldson and Dunfee, 1999; Haidt and Bjorklund, 2008; Jones and Davis, 1965). The more wide-felt the personal threat and/or moral wrongdoing, the potentially greater the possibility for assessors to view the event as irresponsible. Here, with specific regard to effect undesirability, I propose that effect undesirability alone is a more accurate indicator of the potential for social disapproval when compared to extant typologies and categories of irresponsibility described previously in this chapter. This may be primarily attributed to a more concise measurement of ill-feeling.

A secondary observer calculation outlined by Lange and Washburn (2012) is the degree to which an event's cause resides endogenously within the firm's control or factors within the organisation's environment (Lange and Washburn, 2012). This information is considered important because it determines whether the focal firm is blamed for causing a social, economic or environmental harm. Lange and Washburn (2012) consider this at the level of the individual perceiver - but potentially – these perceptions aggregate over stakeholder assessments in order to direct the general focus of blame towards the firm or other culprits. It may therefore be the case that events elicit some degree of individual-level variation, particularly when culpability is somewhat ambiguous to determine. However, at the broader, aggregate level, stakeholder assessments of culpability culminate to a more general sense of whether the firm is perceived culpable for corporate irresponsibility. Whilst the individual-level is important, in terms of observed reputational decline, broad culpability attributed to the firm has greater potential to alter the reputation of the firm overall. Yet, as previously suggested in other research, the culpability for events may be somewhat difficult to determine, as often several parties are implicated in acts of corporate irresponsibility (Dean, 2004). In terms of the irresponsibility often associated with the multinational organisation, complex supply networks, multiple business units as well as the management of large employee bases may mean that it becomes increasingly difficult to determine causation. However, the media often illustrates an organisation's involvement without mention of alternative causal agents if no other parties are involved or are perceived to own some culpability for causing an outcome. In these cases, culpability could be

expected to be much less ambiguous and would require increased cognitive resources by the interpreter to evaluate a different assessment. For events where less ambiguity is present, I argue, there is a greater potential for subsequent reputational decline.

The level of sympathy generated by the victims of events has also been suggested to play a key role in the broader attribution process (Lange and Washburn, 2012). Whether the victims are perceived to be complicit in an event's effect may determine levels of stakeholder sympathy (Alicke, 2000; Weiner, Graham and Chandler, 1982). Stakeholders' identification with the parties victimised has also been said to play a role in assessors' perceptions of victimhood (Lange and Washburn, 2012). Yet in the main, there are two primary indicators noted to affect perceptions of complicity; first, whether the victims have a degree of control over the effect, and secondly, whether the victims had prior knowledge or foresight regarding the effect (Shaver, 1985). Whilst these two factors may be considered highly subjective, some stakeholder groups may be less likely to be perceived as complicit. Specifically, these stakeholder groups may include the very young or the elderly, individuals with disabilities, the economically disadvantaged, pregnant women and individuals managing serious health conditions. Any organisational behaviour negatively impacting the previously described stakeholders may in turn generate subsequent reputational penalties because irresponsibility that victimises these parties may generate more stakeholder sympathy. With these points in mind, I hypothesise that:

H4.6: When irresponsibility is associated with a single attribution component (effect undesirability [or] perceived culpability [or] affected party non-complicity) there is a significant and negative change in corporate reputation.

4.7.2. Combinations of Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

Though I proposed that there is some significant conceptual merit to analysing each component to Lange and Washburn's framework separately, the authors articulated that only the presence of all three irresponsibility characteristics (to some degree) would elicit attributions of irresponsibility (Lange and Washburn, 2012: 308). However, notwithstanding this position, I argue that modelling combinations of irresponsibility elements may capture important interactions between assessments. To this end, here I articulate that combinations of these facets will elicit greater subsequent reputational penalties because the presence of multiple characteristics potentially increases the likelihood of assessor criticality. For instance, events displaying both effect undesirability and perceived culpability appear, at face value at least, to capture both the intensity of stakeholder emotion and direction of corporate criticality. Similarly,

the combination of effect undesirability and affected party non-complicity may capture events whereby assessors' moral objections may be amplified by the presence of a vulnerable/non-complicit party. Similarly, incidents that are believed to be solely caused by the firm and impose a negative effect on vulnerable/non-complicit stakeholders may amplify the event's impact on changes in corporate reputation. With these points in mind, I hypothesise that:

H4.7: When irresponsibility is associated with more than two attribution components (effect undesirability, perceived culpability and/or affected party non-complicity) there is a stronger negative and significant effect on changes in corporate reputation than the presence of effect undesirability, perceived culpability or affected party non-complicity alone.

4.7.3. The Combined Presence of all Three Assessor Perceptions

The final hypothesis articulated for further empirical exploration in this chapter is the combined presence of all three components of irresponsibility attributions as offered by Lange and Washburn (2012). Here, firms associated with events perceived to have all three components are suggested to be at risk for irresponsibility attributions (Lange and Washburn, 2012). Whilst the authors posit that irresponsibility attributions depend on the 'combined presence' of 'some degree' of all three elements – the degree of potential diagnosticity of each component independently remains largely speculative. In other words, unless each element is empirically explored separately, we remain unaware of which 'calculation' or element is driving attributions of irresponsibility. Here, where all three components are present, such conditions may elicit the most significant reputational affects. More specifically, events which elicit a significant emotional stakeholder response through the undesirability of its effect, coupled with an increasingly narrow set of alternative possibilities for its culpability and has associated with it victims that evoke greater assessor sympathy, culminate in, potentially, a more significant reputational effect. Here, I suggest that the presence of effect undesirability, perceived culpability directed specifically towards the focal firm and the association with non-complicit victimised parties, captures from an event context perspective, the most severe set of attribution circumstances with regards to reputational risk. However, whilst these three components may not be an exhaustive list of salient features of irresponsibility, they signify the most nuanced theorisation of irresponsibility attributions to date. With these points in mind, I hypothesise that:

H4.8: The relationship between irresponsibility and changes in corporate reputation is most significant (and negative) when event undesirability, perceived culpability and affected party non-complicity are all present.

4.8. Data

This section provides a brief overview of the sample used in this study as well as a summary of the dependent, independent and control variables employed here (for more details on the methodology, please see *Chapter 3*). Reputation scores for this study were derived from Fortune Magazine's World's Most Admired Companies annual survey, a more commonly studied data source in the wider reputation and CSR literature (e.g., Fombrun and Shanley, 1990; Hammond and Slocum Jr, 1996; Wartick, 1992; 2002). As explicated in more detail in *Chapter 3*, these organisations tend to be larger and more often in the public eye. The independent variables explored, namely irresponsibility data (e.g. event classifications, stakeholder harm types and so on) were derived, in part, from Thompson Reuters ASSET4 dataset and supplemented with additional data regarding each observation of irresponsibility accounted by ASSET4 which was drawn from media reports using the LexisNexis search portal. This study also uses a number of firm level control variables courtesy of DataStream.

4.8.1. Sample

This study focuses on the reputations of firms listed by Fortune Magazine's World's Most Admired Companies annual survey, thus comprising of 500 US organisations classified according to their respective SIC codes. Moreover, this study analyses the associated corporate irresponsibilities of sample firms as depicted within the media by drawing on data from Thompson Reuters ASSET4 database as well as additional supplementary details on each observation compiled from searching the media search tool LexisNexis. A full list of irresponsibility characteristics in the sample is provided in the table below. I use firm reputation ratings across 8 annual surveys (2004-2012) in order to develop a longitudinal assessment of the reputation penalties process over time. This yielded a total of 3850 company year observations, or an average of 226 firms per survey.

4.8.2. Dependent Variable

Corporate Reputation

To test propositions derived from the previous hypotheses presented in this chapter, I utilise Fortune Magazine's World's Most Admired Companies survey. In the WMAC survey each corporation is rated by two participant groups, namely senior management and industry analysts, relative to its competitors on eight key attributes. These attributes are (a) quality of management; (b) quality of products or services; (c) innovativeness; (d) ability to attract, develop, and keep talented people; (e) long-term investment value; (f) financial soundness; (g) use of corporate assets; and (h) community and environmental responsibility. For this rating, an

11-point scale is used (0 = poor, 10 = excellent). In this study, the dependent variable measures specifically whether there are any *changes in reputation scores* from one year to another as a result of corporate irresponsibility acts.

4.8.3. Independent Variables

Corporate Irresponsibility

Data regarding observations of irresponsibility was derived partially from Thompson Reuters ASSET4 dataset. Each independent variable measures a specific aspect of corporate irresponsibility. To validate the ASSET4 data on irresponsibility I then searched for media reports related to each observation via the LexisNexis online search directory. I cross-referenced the results from LexisNexis with ASSET4 to validate each observation. When results were missing, I excluded them from the database. As detailed in *Chapter 3*, using the supplementary data on irresponsibility events collected from LexisNexis, I then developed a comprehensive coding framework with a number of key objectives in mind; namely to reflect the underlying nature of events, including the harms presented, identify additional parties implicated, identify the association of physical human harm and so on. The pro forma document was then used as the basis for all subsequent coding of files from LexisNexis.

I use the variable 'ANY_EVENT' to broadly measure all identified acts of corporate irresponsibility per firm year without initially distinguishing between the different types of acts of irresponsibility. Then, the variables 'EVENT_1' ... 'EVENT_20' classify incidents of irresponsibility using general thematic categories identified in the ASSET4 database. A reminder of the types of events that the observations most closely conform to is presented in *Table 4.1*. In turn, *Table 4.2* includes a reminder of broad 'HARM_TYPES' (i.e. financial, physical, emotional, civil liberties and environmental) measuring the *specific influence* an act of corporate irresponsibility has upon the victimised stakeholder group; as well as more specific types of associated stakeholder harm (i.e. associated injuries, associated fatalities, accused of deception, accused of discrimination and associated with job losses). Data on broad categories of harm was compiled by hand via content analysis of media reports. Furthermore, it should also be highlighted here as well that the ability to distinguish between these types of physical harm was due to having conducted content analysis of media reports gathered after extensive searches of the LexisNexis database.

Table 4.1: Event categories of corporate irresponsibility

Event no.	Event type
1	Management Compensation
2	Shareholder Rights
3	Earnings
4	Insider Trading
5	Accounting
6	Customer/Consumer
7	Product & Service Quality
8	Spills and Pollution
9	Product Recalls
10	Intellectual Property
11	Public health
12	Taxation
13	Anti-competition
14	Human rights
15	Child labor
16	Freedom of association
17	Diversity and opportunity
18	Wages and working conditions
19	Employee health and safety
20	Ethics

Table 4.2: Harm categories associated with corporate irresponsibility

Harm no.	Broad categories of associated stakeholder harm	Specific types of associated stakeholder harm
1	Financial	
2	Physical	Injuries Fatalities
3	Emotional	Deception Discrimination
4	Civil liberties	Job losses
5	Environmental	

The variable *'EFFECT_UNDESIRABILITY'* measures events that are associated with an associated degree of moral disregard by organisational observers. This is a continues variable; this variable was analysed by running the content of media reports with LIWC software which counts qualitative aspects of the data and orders them in terms of their semantic orientation by referencing them to a preexisting database. *'CULPABILITY'* measures whether an incident was reported alongside other potential causal agents. This was also derived by analyzing the content of media reports by hand. When a firm was solely implicated in the cause of an event without

mention of other potential attributable parties, the variable noted culpability. This proxy of culpability is in line with extant theorisation (notably, Lange and Washburn, 2012). The rationale here is that, restricting the availability of suggested causal agents may increase the potential of perceived corporate culpability because other possible explanations for the cause of an effect are not considered. In turn, '*NON-COMPLICITY*' specifically measures incidents that are associated with groups of stakeholders likely to be seen as non-complicit (e.g., the elderly, pregnant women, disabled individuals and so on) and evoke increased sympathy from the general stakeholder pool. From an attribution perspective, the main thrust of non-complicity or vulnerability is the identification of sympathy elicited by broader assessors (c.f. Lange and Washburn, 2012, p. 307). '*CULPABILITY*' and '*NON-COMPLICITY*' are dichotomous variables.

'*EFFECT_UNDESIRABILITY AND CULPABILITY*' measures the presence of both observed effect undesirability and observed culpability in that a variable which measures the combined effect of organisational actions perceived as immoral for which the firm is considered as the main culprit may better explain changes in reputation. In the same vein, '*EFFECT_UNDESIRABILITY AND NON-COMPLICITY*' measures when the event is characterized by both moral disregard and the affected party is perceived as non-complicit; whilst '*CULPABILITY AND NON-COMPLICITY*' is a proxy that measures cases when the firm is perceived as culpable for an event where the affected party is perceived as non-complicit or vulnerable. Finally, '*EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY*' tests for the effect of all three event characteristics being present on changes in corporate reputation.

4.8.4. Control Variables

A measure of each firm's '*LEVERAGE*' (ratio of total debt to total assets), and '*ROA*' (ratio of pre-tax profits to total assets) were extracted from DataStream. Since firm growth can be associated with some level of managerial effectiveness and internal performance, a measure of '*FIRM SIZE*' (the natural logarithm of the value of total assets) was collected from DataStream and included in all models. Furthermore, given the link drawn previously between firm reputation and product range (Fombrun and Shanley, 1990), each firm's '*R&D intensity*' (*RDASS*) (ratio of R&D expenditures to total assets) was also collected using the data available in DataStream.

Furthermore, I controlled for how well the firms score in three main areas associated with reputational performance. Specifically, '*SOCIAL SCORE*' (*SOC_SCORE*) is a proxy that measures the nature of a firm's relationship with stakeholders such as customers and the society. '*ENVIRONMENTAL SCORE*' (*ENV_SCORE*) measures a firm's practices concerning avoidance of environmental risks. '*CORPORATE GOVERNANCE SCORE*' (*CGV_SCORE*) refers to how much firm equity is owned by institutional investor groups. These continuous variables (ranked from 0 to 100) are also available in DataStream.

Each year was controlled for (respectively, 2006, 2007, 2009, 2010, 2011 and 2012), with the exception of 2008 which was omitted in order to avoid the dummy variable trap (also, during the financial crisis these firms may have suffered reputational damage that does not reflect their overall reputations). Finally, I included dichotomous industry sector variables which took the value of '1' if the firm belonged to a specific industry and a value of '0' otherwise.

4.9. Model specification

I present linear regression results modelling the relationships between changes in corporate reputation and the explanatory variables described in the previous section. Linear regression modelling is the statistical method extensively used in the reputation literature to model the relationship between corporate reputation and the variables expected to have a significant effect on an organisation's reputation score (Brammer and Pavelin, 2006; Janney and Gove, 2011; Zyglidopoulos, 2001). In this case, I can analyse whether corporate irresponsibility variables such as irresponsibility events and stakeholder harms, predict changes in reputational scores. The potential number of firm-year observations was 3,696, for which corresponding reputation data was available for a total of 1,312 results for analysis. Omitting one of the year dummy variables (i.e. 2008) as well as one industry (IND33) dummy variable is a widely utilised method for avoiding the 'dummy variable trap' (see Brammer and Pavelin, 2006).

Table 4.3 reports the standard deviations and the correlation matrix. There is some degree of correlation between social and environmental performance variables, which is not surprising considering that firms with better environmental performance would also be morally inclined to perform better socially. Variance inflation factors (VIF) were calculated to verify for the existence of multicollinearity between predictor variables (see *Table 4.4*). The VIFs range between 1.09 and 10 suggesting that there is no significant evidence of multicollinearity; although there is no clear cut-off point for VIFs, values over 10 have generally been suggested to show signs of multicollinearity (Field, 2009); with the exception ANY_EVENT and EFFECT_UNDESIRABILITY because the events being analysed here are, by definition, all undesirable to some extent. Importantly, there is no single regression model in which both dummy variables indicating the presence of a negative event and the extent of the undesirability of those events jointly appear. Thus, overall, concerns regarding multicollinearity appear relatively modest. Additionally, *Table 4.4* also confirms that social and environmental performance do not present a concern since their VIFs are 3.21 and 3.89 respectively.

Table 4.3: Descriptive statistics and correlation coefficients (**p<0.001; *p<0.01; *p<0.05; †0.10)

Variables	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
Reputation	.99	1	.17**	.01	-.02	-.01	.04	-.05*	.03	.08**	.09**	.08**	.10**	.04*	.06**	.09**	.08**	.09**	.03	.07**	.06**	.06**	.05**	.13**	.14**	.05*	.07**	.10**	.11**	.08**	.12**	.07**	.06**
ANY_EVENT	.46	.17**	1																														
Management comp.	.12	.01	.18**	1																													
Shareholder rights	.17	-.02	.25**	.02	1																												
Earnings	.04	-.01	.06**	.04**	.02	1																											
Insider trading	.07	.04	.11**	.13**	.02	.07**	1																										
Accounting	.11	-.05*	.16**	.04**	.10**	.05**	.05**	1																									
Customer/Consumer	.31	.03	.50**	.12**	.13**	.02	.04*	.09**	†																								
Prod. & Serv. qual.	.15	.08**	.23**	.06**	.11**	-.01	.07**	.04**	.13**	1																							
Spills & Pollution	.21	.09**	.33**	.05**	.01	.01	.01	.01	.06**	.06**	1																						
Product recalls	.21	.08**	.33**	.02	.06**	.01	.03	.01	.19**	.11**	.06**	1																					
Intellectual property	.24	.10**	.38**	.06**	.09**	.01	.02	.07**	.19**	.11**	.03*	.21**	1																				
Public health	.09	.04*	.13**	.01	.00	-.00	.06**	-.01	.07**	.02	.11**	.05**	.03*	1																			
Taxation	.10	.06**	.15**	.02	.03*	.05**	-.01	.03	.12**	.03	.05**	.03	.02	.04**	1																		
Anti-corruption	.25	.09**	.39**	.04**	.12**	.06**	.06**	.08**	.23**	.12**	.11**	.16**	.22**	.08**	.10**	1																	
Human rights	.09	.08**	.14**	.07**	-.00	-.00	-.01	-.01	.05**	.03*	.10**	.09**	.09**	.02	.01	.07**	1																
Child labour	.05	.09**	.07**	-.01	.04**	-.00	.06**	-.01	.04**	.05**	.03*	.10**	.06**	-.01	.04*	.00	.25**	1															
Freedom of assoc.	.04	.03	.06**	-.01	-.01	-.00	-.00	-.01	.06**	.03*	.07**	.10**	.08**	.06**	-.01	.08**	-.00	-.00	1														
Div. and opport.	.21	.07**	.33**	.06**	.11**	.04**	.01	.06**	.21**	.11**	.10**	.13**	.05**	.05**	.06**	.14**	.08**	.05**	.13**	1													
Wages	.23	.06**	.36**	.09**	.07**	.01	.06**	.03*	.22**	.13**	.18**	.19**	.19**	.08**	.06**	.16**	.08**	.07**	.09**	.17**	1												
Employee H&S	.18	.06**	.27**	.04**	.01	-.01	.07**	-.02	.07**	.05**	.31**	.11**	.05**	.18**	.05**	.12**	.11**	.06**	.02	.14**	.21**	1											
Ethics	.22	.05**	.33**	.14**	.12**	.01	.12**	.12**	.24**	.07**	.11**	.08**	.12**	.04**	.12**	.19**	.12**	.05**	.04**	.14**	.14**	.10**	1										
Financial harm	.44	.13**	.87**	.19**	.28**	.07**	.12**	.18**	.48**	.23**	.23**	.23**	.43**	.12**	.18**	.45**	.11**	.07**	.07**	.32**	.41**	.21**	.34**	1									
Physical harm	.32	.14**	.52**	.06**	.08**	.00	.03*	.03*	.36**	.25**	.35**	.34**	.12**	.24**	.10**	.23**	.20**	.11**	.08**	.22**	.27**	.52**	.19**	.38**	1								
Emotional harm	.14	.05*	.20**	.16**	.03	-.01	.03*	.00	.19**	.07**	.10**	.07**	.05**	.01	.03*	.07**	.18**	.20**	.08**	.24**	.13**	.10**	.25**	.17**	.22**	1							
Civil liberties	.23	.07**	.36**	.10**	.13**	-.01	.02	.06**	.29**	.09**	.12**	.13**	.18**	.05**	.03*	.18**	.21**	.15**	.14**	.43**	.20**	.13**	.26**	.30**	.18**	.17**	1						
Environmental	.21	.10**	.32**	.05**	.02	.01	.01	.01	.08**	.07**	.84**	.07**	.03	.14**	.07**	.11**	.10**	.03*	.04**	.09**	.16**	.33**	.12**	.23**	.37**	.07**	.08**	1					
Injuries	.24	.11**	.38**	.01	.06**	-.01	.03*	.02	.29**	.18**	.21**	.32**	.12**	.21**	.10**	.17**	.22**	.10**	.08**	.19**	.21**	.44**	.17**	.29**	.69**	.19**	.19**	.24**	1				
Fatalities	.21	.08**	.32**	.03	.03*	-.01	.04**	.03	.22**	.13**	.26**	.15**	.07**	.16**	.11**	.10**	.20**	.10**	-.01	.12**	.19**	.49**	.13**	.23**	.62**	.08**	.09**	.31**	.46**	1			
Deception	.41	.12**	.76**	.20**	.29**	.06**	.13**	.20**	.52**	.20**	.23**	.20**	.22**	.11**	.18**	.47**	.15**	.09**	.08**	.39**	.30**	.19**	.36**	.78**	.40**	.20**	.37**	.23**	.30**	.26**	1		
Discrimination	.22	.07**	.35**	.04**	.12**	.04**	.01	.06**	.23**	.11**	.11**	.14**	.06**	.05**	.06**	.15**	.06**	.05**	.15**	.91**	.21**	.15**	.15**	.35**	.21**	.25**	.43**	.09**	.20**	.11**	.42**	1	
Job losses	.23	.06**	.36**	.11**	.06**	.06**	.06**	.04**	.20**	.13**	.17**	.16**	.15**	.05**	.06**	.15**	.09**	.02	.14**	.33**	.63**	.18**	.15**	.41**	.23**	.13**	.22**	.15**	.23**	.15**	.33**	.47**	1

Table 4.4: Variance inflation factors and collinearity diagnostics

Variable name	Mean	N	Collinearity Tolerance	VIFs
REPt	6.18	2006	.25	3.98
Lag REPt			.51	1.94
ANY_EVENT	.32	3696	.04	22.99
EVENT 1_Management compensation	.01	3696	.81	1.22
EVENT 2_Shareholder rights	.03	3696	.81	1.22
EVENT 3_Earnings	.00	3696	.91	1.09
EVENT 4_Insider Trading	.00	3696	.86	1.15
EVENT 5_Accounting	.01	3696	.87	1.15
EVENT 6_Customer/Consumer	.10	3696	.51	1.92
EVENT 7_Product & Service Quality	.02	3696	.80	1.24
EVENT 8_Spills and pollution	.05	3696	.18	5.53
EVENT 9_Product recalls	.05	3696	.58	1.69
EVENT 10_Intellectual property	.06	3696	.60	1.65
EVENT 11_Public Health	.00	3696	.85	1.17
EVENT 12_Taxation	.01	3696	.83	1.20
EVENT 13_Anti-corruption	.07	3696	.65	1.53
EVENT 14_Human rights	.00	3696	.72	1.38
EVENT 15_Child Labor	.00	3696	.78	1.27
EVENT 16_Freedom of association	.00	3696	.88	1.13
EVENT 17_Diversity and opportunity	.05	3696	.11	8.72
EVENT 18_Wages and working conditions	.05	3696	.45	2.21
EVENT 19_Employee health and safety	.03	3696	.51	1.92
EVENT 20_Ethics	.05	3696	.70	1.42
HARM 1	.26	3696	.15	6.42
HARM 2	.11	3696	.27	3.67
HARM 3	.02	3696	.69	1.43
HARM 4	.05	3696	.61	1.63
HARM 5	.04	3696	.17	5.81
Injuries	.06	3696	.40	2.44
Fatalities	.05	3696	.48	2.06
Deception	.22	3696	.25	3.88
Discrimination	.05	3692	.11	8.95
Job losses	.06	3692	.38	2.59
EFFECT_UNDESIRABILITY	8.30	3696	.79	1.26
CULPABILITY	.29	3696	.15	6.58
NON-COMPLICITY	.10	3696	.46	2.17
CORPORATE_LEVERAGE	20.55	3487	.52	1.92
RETURN_ON_ASSETS (ROA)	6.86	34.88	.60	1.66
FIRM_SIZE	10.10	3467	.26	3.74
R&D INTENSITY (RDASS)	1.57	3690	.47	2.09
SOC_SCORE	56.60	2967	.31	3.21
ENV_SCORE	51.86	2967	.25	3.89
CGV_SCORE	77.50	2967	.52	1.89
MARKET_CAP	2.50	1420	.23	4.32
PRIOR_CI	2.28	1312	.35	2.82
YEAR 2006	.12	3696	.48	2.07
YEAR 2007	.12	3696	.51	1.94
YEAR 2009	.12	3696	.27	3.68
YEAR 2010	.12	3696	.26	3.77
YEAR 2011	.12	3696	.25	4.00
YEAR 2012	.12	3696	.35	2.80

Note: Dependent variable was REPt, followed by NON_COMPLICITY to assess the VIF of the dependent.

Table 4.4: Variance inflation factors and collinearity diagnostics (*continued*)

Variable name	Mean	N	Collinearity Tolerance	VIFs
Mining	.00	3680	.72	1.37
Petroleum and natural gas	.02	3680	.45	2.21
General building contractors	.02	3680	.53	1.86
Heavy construction	.00	3680	.83	1.20
Food and kindred products	.04	3680	.20	5.00
Tabaco products	.01	3680	.47	2.12
Apparel and other materials	.01	3680	.62	1.59
Lumber and wood products	.01	3680	.69	1.44
Household furniture	.01	3680	.49	2.00
Papers and allied products	.02	3680	.45	2.22
Chemicals and allied products	.05	3680	.16	6.01
Products of petroleum and coal	.01	3680	.34	2.87
Tires and plastic products	.01	3680	.53	1.88
Glass and glassware	.00	3680	.93	1.06
Fabricated metal products	.01	3680	.80	1.24
Machinery and tools	.06	3680	.19	5.05
Electronic and other electrical equipment	.05	3680	.19	5.02
Motor vehicles and passenger cars	.02	3680	.28	3.54
Industrial instruments and apparatus	.05	3680	.22	4.43
Railroads and passenger trains	.01	3680	.70	1.41
Trucking and courier services	.01	3680	.71	1.40
Transportation services	.01	3680	.57	1.73
Electric, gas and sanitary services	.06	3680	.29	3.34
Wholesale – durable goods	.02	3680	.33	2.96
Wholesale – paper and paper products	.02	3680	.41	2.41
Retail building materials, hardware, garden supply	.00	3680	.54	1.84
Retail- department stores	.02	3680	.27	3.58
Retail- food stores	.01	3680	.46	2.15
Retail- apparel and accessory stores	.02	3680	.37	2.65
Retail- home furniture, furnishings and equipment stores	.01	3680	.61	1.62
Retail- eating and drinking places	.02	3680	.51	1.94
Retail- miscellaneous retail	.02	3680	.35	2.81
Lenders and commercial banks	.04	3680	.20	4.86
Federal credit agencies	.00	3680	.92	1.08
Security and commodity brokers, dealers, exchanges and services	.03	3680	.48	2.06
Life insurance	.04	3680	.19	5.08
Real estate	.00	3680	.84	1.18
Traders and investment trusts	.02	3680	.54	1.83
Hotels	.02	3680	.39	2.55
Services- advertising	.10	3680	.14	7.09
Services- automotive repair, services and parking	.01	3680	.79	1.25
Services- motion picture	.00	3680	.70	1.41
Services- health services	.02	3680	.36	2.71
Services- engineering, accounting, research, management	.01	3680	.54	1.85

4.10. Results

The results pertaining to the linear regression analysis are shown in *Tables 4.5 - 4.7*. Model 1 incorporates only the effect of the control variables on the outcome variable, namely changes in corporate reputation. Model 2 tests broadly for the effect of corporate irresponsibility (ANY_EVENT) on corporate reputation changes, whilst Model 3 adds the main effects of 20 types of corporate irresponsibility events on changes in corporate reputation (EVENT 1...EVENT 20). Model 4 adds the effect of stakeholder harms (financial harm, physical harm, emotional harm, civil liberties harm and environmental harm) on reputation changes. Models 5, 6, 7, 8 and 9 test for the effects of each of the following features of irresponsibility, namely; cases of observed human injuries (Model 5), human fatalities (Model 6), stakeholder deception (Model 7), discrimination (Model 8) and associated job losses (Model 9) on changes in reputation. Models 10 to 16 test the attribution theoretical framework offered by Lange and Washburn (2012) concerning the condition of EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY. Specifically, Models 10 – 12 test for the main effects of EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY. Model 13 tests for when EFFECT_UNDESIRABILITY and perceived CULPABILITY are present simultaneously. Model 14 tests for when EFFECT_UNDESIRABILITY and affected party NON-COMPLICITY are present simultaneously; whereas Model 15 looks at the effect on corporate reputation changes of having both perceived CULPABILITY and affected party NON-COMPLICITY simultaneously. Finally, Model 16 tests the combined presence of EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY on changes in corporate reputation.

Model 1 illustrates a number of significant effects of the control variables utilised. For example, the base model shows that prior year reputation (the LAG variable) is strongly associated with current year reputation scores. This implies that reputation updating is only a modest phenomenon. Firm size also has a positive and significant effect on changes in corporate reputation ($\beta=0.05$, $p<0.01$), in that large firms are more likely to receive higher reputation scores. A positive and significant effect on changes in corporate reputation is also found for the variables return on assets ($\beta=0.01$, $p<0.001$), whilst leverage has a negative and significant effect on changes in corporate reputation ($\beta=-0.01$, $p<0.001$). Environmental scores appear to positively influence corporate reputation changes; this relationship is also significant ($\beta=0.01$, $p<0.01$). In turn, no significant effects were found for the variables social responsibility and corporate governance. Similar results for control variables are mirrored throughout the regression models. These results are in line with extant empirical research in corporate reputation (see Brammer and Millington, 2004; Brammer and Pavelin, 2006).

Hypothesis 4.1 predicted that, all else considered, there would be no significant relationship between generally the presence of corporate irresponsibility acts and changes in corporate reputation. Model 2 in *Table 4.5* shows that the variable labelled 'ANY EVENT' has a

positive relationship with corporate reputation changes; however, the effect is in fact not statistically significant ($\beta=0.03$, n.s.). These results contradict the increasingly large body of literature on corporate reputation which advocates that, broadly, cases of corporate irresponsibility have a significant and detrimental effect on corporate reputations or changes in reputations (Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009). Thus, Hypothesis 4.1 is supported.

Hypothesis 4.2 predicted that there would be no significant relationship between broad classifications of corporate irresponsibility and changes in corporate reputation. In Model 3, I tested for the main effects of 20 event classifications (product and service quality, product recalls, intellectual property, public health, child labor, freedom of association, diversity and opportunity, wages and working conditions, employee health and safety, management compensation, shareholder rights, earnings, insider trading, accounting, customer/consumer, spills and pollution, taxation, anti-competition, human rights, ethics). Only three events have some level of significance on the predictor variable. Perhaps surprisingly given previous research, there is a positive and significant effect of event 'product and service quality' controversies ($\beta=0.17$, $p<0.01$) and 'child labor' controversies ($\beta=0.60$, $p<0.01$) on changes in corporate reputation. In turn, there is a negative and significant effect of 'accounting' controversies on corporate reputation changes ($\beta=-0.25$, $p<0.01$). Thus, Hypothesis 4.2 is, in part, supported as there are no significant relationships between different broad types of corporate irresponsibility and changes in corporate reputation except for the case of product and service quality, child labor and accounting controversies. As elaborated in more detail in the next section, these results may signal a tendency of reputational assessors to punish events of corporate irresponsibility that are more directly linked to a firm's financial status.

Model 4 tests for the effects of five harm types (financial, physical, emotional, civil liberties and environmental harms) on changes in corporate reputation. Specifically, in Hypotheses 4.3a and 4.3b, I predicted that there would be no significant relationship between harm types, namely financial, physical and emotional harms (Hypothesis 4.3a) yet a significant and negative relationship on reputational changes for civil liberties and environmental harms (Hypothesis 4.3b). Of the harm types tested, only civil liberties had a negative and marginally significant effect on changes in corporate reputation ($\beta=-0.09$, $p<0.10$), whilst the others did not have a significant effect. Thus, the hypotheses were only partly supported. Most importantly, the analysis illustrates that by looking at broad types of stakeholder harm, one may not be able to explain to a great extent changes in corporate reputation.

In Hypothesis 4.4a I argued that there is no significant expected relationship between cases of observed human injuries and changes in corporate reputation. In Model 5, the relationship between firms being visibly involved in human injuries and changes in corporate reputation is found to be positive ($\beta=0.01$, n.s.), although the effect is, as assumed, insignificant; thus,

supporting Hypothesis 4.4a. This result is also in line with findings of earlier work using the same large-scale survey data (c.f. Zyglidopoulos, 2001).

In turn, I expected a negative and significant effect of companies being visibly involved in fatalities on changes in corporate reputation as formulated in Hypothesis 4.4b. As observed in *Table 4.6*, Model 6 does not support Hypothesis 4.4b, in that, contrary to the expectations, there is no significant relationship between companies being visibly involved in fatalities events and changes in corporate reputation, although the direction of this relationship is, indeed, negative ($\beta=-0.07$, n.s.). This too is in line with the previous findings of Zyglidopoulos (2001). Similar to Zyglidopoulos (2001), I note that, although these results may seem counterintuitive and perhaps unexpected, an explanation for this result is that being associated with fatalities may not necessarily imply that the firm was perceived as culpable for causing the conditions which resulted in those fatalities.

Hypotheses 4.5 predicted no significant relationships between firms being accused of deception, discrimination or associated with job losses and changes in corporate reputation. Model 7, tests for deception in relation to reputation penalties and found its effect not to be significant ($\beta=-0.02$, n.s.); In Model 8, I found a negative but also insignificant effect of acts of discrimination on changes in corporate reputation ($\beta=-0.02$, n.s.). Whilst Model 9 tests for the effect of companies causing job loss on their reputations' changing; here also the effect of job loss on changes in reputation is insignificant ($\beta=0.02$, n.s.). Thus Hypothesis 4.5 is supported. An interpretation of these results, particularly concerning the effect of job losses on changes in reputation is that layoffs may be considered necessary in some contexts to insure the financial health of the firm, thus offsetting the reputational effect of job losses.

In Models 10-16, I tested for the main effects of Lange and Washburn's (2012) attribution framework on changes in corporate reputation. I tested for the main effects of EFFECT_UNDESIRABILITY (Model 10), CULPABILITY (Model 11) and NON-COMPLICITY (Model 12). No significant results were found when independently testing for the effect of these variables on changes in corporate reputation. Thus, Hypothesis 4.6, which assumed a significant and negative relationships between EFFECT_UNDESIRABILITY, CULPABILITY and respectively, NON-COMPLICITY on changes in corporate reputation, has not been supported. Subsequently, I tested for the presence of two of these criteria simultaneously. In Model 13, I found a positive but insignificant effect for the simultaneous presence of corporate CULPABILITY and EFFECT UNDESIRABILITY on changes in corporate reputation ($\beta=0.00$, n.s.). Model 14 shows a positive and significant relationship between effect undesirability and affected party non-complicity ($\beta=0.00$, $p<0.05$). Furthermore, Model 15 found a positive and significant relationship between the presence of both culpability and affected party non-complicity and changes in corporate reputation ($\beta=0.00$, $p<0.05$). Consequently, I found no support for Hypothesis 4.7 in the regression models. As discussed in more detail later, this could mean that highly severe events affecting non-complicit parties

may subsequently be interpreted by firms to be a significant threat to reputations and thus, allocate increased resources to the remedial actions of these in spite of potential culpability.

Finally, Hypothesis 4.8 predicted that the relationship between irresponsibility and changes in corporate reputation is most significant and negative when event undesirability, perceived culpability and affected party non-complicity are all present. Model 16 simultaneously tests for the effects of effect undesirability, corporate culpability and affected party non-complicity on changes in corporate reputation. There is a positive and significant relationship between the simultaneous presence of effect undesirability, corporate culpability and affected party non-complicity on changes in corporate reputation ($\beta=0.00$, $p<0.05$). Overall, the regression results in Model 16 appear to indicate that the assumption put forward by Lange and Washburn (2012) is not confirmed when looking at changes in reputation scores; thus, Hypothesis 4.8 has also not been supported here. One explanation for these results may be that the three components of irresponsibility attributions posed by Lange and Washburn (2012) may be relevant but contingent on 'who is being accused' of irresponsibility, their history and the qualities associated with them such as whether they are known to be socially responsible or irresponsible. To unpack this supposition, the following empirical chapters model for a set of subsampled firms with respect to specific firm characteristics, namely the level of *organisational celebrity*, *social responsibility*, *history of crisis* and *financial stability*. In this way, I unpack how prior beliefs may potentially shape the attribution process.

Table 4.5: Results of the linear regression for Models 1-4^{a,b,c}

Independent variables	Model 1	Model 2	Model 3	Model 4
<i>Constant</i>	0.77**	0.80**	0.84***	0.76**
ANY_EVENT		0.03		
EVENT 1_Management compensation			-0.08	
EVENT 2_Shareholder rights			-0.04	
EVENT 3_Earnings			-0.04	
EVENT 4_Insider Trading			-0.01	
EVENT 5_Accounting			-0.25**	
EVENT 6_Customer/Consumer			-0.04	
EVENT 7_Product & Service Quality			0.17**	
EVENT 8_Spills and pollution			-0.07	
EVENT 9_Product recalls			0.02	
EVENT 10_Intellectual property			0.03	
EVENT 11_Public Health			0.10	
EVENT 12_Taxation			-0.04	
EVENT 13_Anti-corruption			-0.02	
EVENT 14_Human rights			-0.13	
EVENT 15_Child Labor			0.60**	
EVENT 16_Freedom of association			0.33	
EVENT 17_Diversity and opportunity			0.04	
EVENT 18_Wages and working conditions			0.01	
EVENT 19_Employee health and safety			0.07	
EVENT 20_Ethics			-0.08	
HARM 1 – Financial				8.85
HARM 2 – Physical				0.06
HARM 3 – Emotional				0.04
HARM 4 – Civil Liberties				-0.09+
HARM 5 – Environmental				-0.04
LAGS (REP T,1)	0.74***	0.74***	0.73***	-0.07
FIRM SIZE	0.05**	0.05**	0.05**	0.05**
RDASS	-0.00	-0.00	-0.00	-0.00
LEVERAGE	-0.01***	-0.01***	-0.01***	-0.01***
ROA	0.01***	0.01***	0.01***	0.01***
SOC_SCORE ^c	-0.00	-0.00	-0.00	-0.00
ENV_SCORE ^c	0.00**	0.00**	0.00**	0.00**
CVG_SCORE ^c	-0.00	-0.00	-0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.51	0.51	0.51	0.51
<i>F</i>	53.437	52.587	40.803	48.778
<i>R square</i>	0.73	0.73	0.73	0.73
<i>Adjusted R square</i>	0.71	0.71	0.72	0.71
<i>N</i>	1311	1311	1311	1311

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; +0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 4.6: Results of the linear regression for Models 5-9^{a,b,c}

Independent variables	Model 5	Model 6	Model 7	Model 8	Model 9
<i>Constant</i>	0.77**	0.73**	0.75**	0.76**	0.78
INJURIES	0.01				
FATALITIES		-0.07			
DECEPTION			-0.02		
DISCRIMINATION				-0.02	
JOB LOSSES					0.02
LAGS (REP T,1)	0.74***	0.74***	0.74***	0.74**	0.74**
FIRM SIZE	0.05**	0.05**	0.05**	0.05**	0.05**
RDASS	-0.00	-0.00	-0.00	-0.00	-0.00
LEVERAGE	-0.01***	-0.01***	-0.01***	-0.01***	-0.01***
ROA	0.01***	0.01***	0.01***	0.01***	0.01***
SOC_SCORE ^c	-0.00	-0.00	-0.00	-0.00	-0.00
ENV_SCORE ^c	0.00**	0.00**	0.00**	0.00**	0.00**
CVG_SCORE ^c	-0.00	-0.00	-0.00	-0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.51	0.51	0.51	0.51	0.51
<i>F</i>	52.551	52.632	52.561	52.554	52.553
<i>R square</i>	0.73	0.73	0.73	0.73	0.73
<i>Adjusted R square</i>	0.71	0.71	0.72	0.71	0.71
<i>N</i>	1311	1311	1311	1311	1311

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 4.7: Results of the linear regression for Models 10-16^{a,b,c}

Independent variables	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
<i>Constant</i>	0.75***	0.73**	0.80***	0.78***	0.78***	0.78***	0.78***
EFFECT_UNDESIRABILITY ^c	0.00			-0.00	-0.00	0.00	-0.00
CULPABILITY		-0.02		-0.04	-0.02	-0.04	-0.02
NON-COMPLICITY			0.06	0.07†	0.05	-0.12	0.05
EFFECT_UNDESIRABILITY AND CULPABILITY ^c				0.00			
EFFECT_UNDESIRABILITY AND NON-COMPLICITY ^c					0.00*		
CULPABILITY AND NON-COMPLICITY						0.20	
EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY ^c							0.00*
LAGS (REP T,1)	0.74***	0.74***	0.74***	0.74***	0.74***	0.74***	0.74***
FIRM SIZE	0.05**	0.06**	0.05**	0.05**	0.05**	0.05**	0.05**
RDASS	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
LEVERAGE	-0.01***	-0.01***	-0.01***	-0.01***	-0.01***	-0.01***	-0.01***
ROA	0.01***	0.01***	0.01***	0.01***	0.01***	0.01***	0.01***
SOC_SCORE ^c	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
ENV_SCORE ^c	0.00**	0.00**	0.00**	0.00**	0.00	0.00**	0.00**
CVG_SCORE ^c	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.51	0.51	0.51	0.51	0.51	0.51	0.51
<i>F</i>	52.547	52.559	52.671	50.219	50.417	50.288	50.442
<i>R square</i>	0.73	0.73	0.73	0.73	0.73	0.73	0.73
<i>Adjusted R square</i>	0.71	0.71	0.71	0.71	0.71	0.71	0.71
<i>N</i>	1311	1311	1311	1311	1311	1311	1311

4.11. Discussion

In this chapter I began to explore the relationship between corporate irresponsibility on changes in corporate reputation. By modelling broad aspects of irresponsibility on changes in corporate reputation, this chapter explored (1) whether firms associated with acts of corporate irresponsibility subsequently incur reputation penalties? (2) Do organisations experience more significant reputation penalties when they are associated with certain types of irresponsibility? (3) What are the characteristics of irresponsibility that reputational assessors penalise firms most severely for? With regards to whether irresponsibility is broadly associated with subsequent reputation penalties, I find evidence which suggest that this appears not to be the case, in that reputational updating is only a somewhat moderate and infrequent phenomenon. These results support a long history of observational research in social psychology which suggests that rarely do individuals update their beliefs (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). The research findings of this chapter also suggest that the relationship between irresponsibility and reputation penalties may be significantly more complex than previously understood.

In this chapter, I theorised that many of the broad categories and typologies utilised by extant research to describe and distinguish between acts of corporate irresponsibility would not be indicative of reputational harms. Though I found this to be broadly the case, out of twenty broad categories of irresponsibility tested by Model 3 in Table 4.5, three categories related to matters of accounting, product and service quality and child labor were found to be significant. Only irresponsibility related to accountancy practices were significant and negatively related to changes in reputation, whilst product and service quality issues as well as child labor use was significant and positively related to alterations in reputation scores. A possible explanation for these results is that accounting-related irresponsibility may signal issues regarding the underlying financial health of the organisation to assessors. Extant research has pointed out that the data source used by this research, namely Fortune's WMAC data does have a notable financial orientation (Fryxell and Wang, 1994). 'Economic' elements of reputation are potentially most salient to these groups of assessors. Therefore, irresponsibility that specifically undermines issues related to the financial well-being of the organisation, as well as potential efforts to conceal it, may damage perceptions of the firm most significantly.

Counterintuitively though, I find some evidence of reputational enhancement associated with irresponsibility. Here, issues related to 'product and service quality' as well as 'child labor' may also be associated with distinct financial advantages through cost-reduction, which, may in turn actually promote increased perceptions of the firm. Another potential interpretation for reputational enhancements in light of irresponsibility may be the appropriate and effective management of events. Here, crisis management scholars have long suggested that firms may be able, not only counteract the reputational risks associated with corporate irresponsibility with remedial actions and communications, but also enhance

stakeholder perception of the firm by demonstrating their commitment to their social responsibilities (e.g., Ansoff, 1975; Coombs, 1995; 2006; Kash and Darling, 1998; Mitroff, 1994; Rosenthal and Kouzmin, 1997; Ulmer, Sellnow and Seeger, 2013).

In terms of the broad outcomes of irresponsibility, I argued that there would not be any measurable effects of categories of stakeholder harm, namely financial, physical or emotional harms on changes in reputation because these categories offer little features suggested as salient by theories of attribution. This was confirmed by the regression analysis. However, I also argued that environmental harms as well as civil liberties harms would elicit broad reputational effects because these types of harm have become increasingly topical during the period studied, specifically the years 2004 - 2011. I articulate that the increased awareness and perception of environmental issues through the global warming debate as well as the increased prevalence of conversations around privacy issues would in turn expose firms associated with these issues to more stakeholder criticality than those found in extant research (Zyglidopoulos, 2001). However, I found no evidence to suggest that issues related to environmental harms had a significant effect on reputation. Yet, firms associated with harms to stakeholders' civil liberties were associated with negative but only marginally significant reductions in reputation. Though, from an attribution perspective, neither outcomes on the environment nor harms to stakeholder liberties are viewed as indicative to the attribution process, a negative and marginally significant result for civil liberties harms could be interpreted as some preliminary and tentative evidence towards the theorisation that perceptions of irresponsibility change over time due to specific issues becoming topical in the 'ether' of social assessment.

In this chapter I also tested the assumption that incidents that injure stakeholders were less reputationally damaging than those that fatally injure stakeholders. Unlike prior research which fails to distinguish between the two forms of stakeholder harm (Zyglidopoulos, 2001), I empirically tested both human injuries and fatalities separately. I found that neither injuries nor fatalities have a significant impact on corporate reputation changes. This may be because human injuries and fatalities may be largely expected by reputational assessors, particularly in industries that are associated with risks to human health, of which there are many. Another potential interpretation of these results is that reputational assessors may expect different behaviours from different firms, it may be that the subsequent decline in reputation, following physical harms that injure or lead to loss of human life, is largely dependent on stakeholder perceptions of firm characteristics, such as whether they are a socially responsible corporation or whether they are associated with a history of stakeholder injuries and/or fatalities. Assessors may also become somewhat desensitised to such offences, particularly when considering the increase of this form of news in the media (Scharrer, 2008). What is more, I also found no significant relationship between stakeholder deception, discrimination and job losses and reputational damages. I interpret these findings to be due to the variance in potential severity within each category tested. For

instance, issues of discrimination may be perceived to be contingent on a number of contextual variables including the firm's history of past offences or whether the discrimination was age, gender, sexuality, race or disability-related. What is more, the relevance of job losses in terms of reputation penalties may also be contingent on whether the losses are perceived to be as a result of financial difficulties or as part of efforts to financially enhance the organisation. Results suggest that few categories of irresponsibility have significant reputational effects. These results were largely expected because theories of attribution suggest that initial perceptions of irresponsibility are contingent on factors not specified by broad categories of irresponsibility (Lange and Washburn, 2012).

The final part of this chapter empirically explored the attribution framework offered by Lange and Washburn (2012). Although the authors suggested that irresponsibility attributions are present when there is the "combined presence" of effect undesirability, perceived culpability and affected party non-complicity (Lange and Washburn, 2012: 307), in order to develop an understanding of which aspects of this framework are most relevant, I tested each independently as well as several combinations of these characteristics. The findings of my regression analysis indicated that, alone, aspects of affect undesirability, perceived culpability and affected party non-complicity are not independently salient to the reputation penalties process. An explanation for this may be that, perceivers may assess many different aspects of events and arrive at a common sense explanation for them based their entirety, rather than independently. What this may imply is that social impressions in light of irresponsibility is a more comprehensive process of social navigation that does not draw from any single aspect of irresponsibility in a simple heuristic manner. This study suggests that the socio-cognitive process that results in reputation penalties is more complex and rather than stakeholders using 'cognitive short hands' to make fast judgements, assessors may instead draw from a variety of information sources to arrive at a more nuanced perspective on firm reputation.

To unpack whether certain combinations of elements within the socio-cognitive process of irresponsibility attributions were together diagnostic of overall corporate irresponsibility, I analysed for the effects of effect undesirability, perceived culpability and affected party non-complicity in pairs. Interestingly, I found that only the combined presence of effect undesirability and non-complicity has a significant (and positive) effect on changes in corporate reputation. Again, whilst this result may seem counterintuitive, this combination of event characteristics may motivate firms to better manage the event. Finally, I model the effects for the combined presence of effect undesirability, perceived culpability and affected party non-complicity, finding no evidence to suggest reputation penalties as a result of events with these combined features. One explanation for this finding is that the process of social judgements and impressions is more complex than conceptualised in this chapter as reputation penalties may be largely contingent on stakeholders' prior knowledge and beliefs. In other words, '*who*' is being observed may be as important as '*what*' is being observed. To

assess whether stakeholders' prior beliefs and knowledge of the firm shape the attribution process in light of corporate irresponsibility, the following chapters empirically explore how different organisational qualities affect the relationship between corporate irresponsibility and changes in corporate reputation.

CHAPTER 5 – EXPLORING THE CONTINGENCIES OF SOCIAL RESPONSIBILITY PERCEPTIONS AND CELEBRITY STATUS

5.1. Introduction

In this second empirical chapter I explore the contingencies between the relationship of irresponsibility and changes in corporate reputation by modelling for a sample of US firms for an 8-year period between 2003 and 2011. More specifically, in this chapter I subsample firms based on their believed organisational qualities relative to other firms within the specified sample. In this empirical chapter I explore the contingent role of prior stakeholder perceptions and how these may shape the social judgements and impressions process in light of corporate irresponsibility. The focus is on two broad organisational characteristics, namely ***perceptions of social responsibility*** and ***celebrity status***. The subsequent longitudinal research offered in this chapter therefore seeks to explore the questions; (1) broadly, which perceived organisational characteristics influence the relationship between irresponsibility and changes in corporate reputation? And in what incidences do these characteristics play a role? (2) Does the organisation's prior social responsibility perceptions shape the relationship between irresponsibility and changes in reputation? And in which circumstances does it do so? (3) Does the organisation's level of celebrity status influence the relationship between irresponsibility and corporate reputation changes? And in which contexts does this seem to be most apparent? With this in mind, the aims of this chapter are:

- To examine whether reputation penalties in light of irresponsibility are contingent on prior stakeholder beliefs regarding the firm and its perceived attributes.
- To explore whether prior perceptions of social responsibility influence the relationship between irresponsibility and changes in corporate reputation.
- To assess whether the level of celebrity status of the firm influences the relationship between irresponsibility and changes in corporate reputation.

In light of the findings in the previous empirical chapter I propose that reputation penalties may be largely contingent on 'who' is being assessed - which includes facets of corporate character and capabilities believed within the wider stakeholder pool, such as perceptions of celebrity status and social responsibility. In this chapter I empirically explore the contingencies of prior perceptions of social responsibility as well as celebrity status as they relate to reputation penalties.

5.2. Exploring the Contingency of Social Responsibility: Background

Research in CSR has suggested that a good reputation can provide a form of 'reputation insurance' which shields firms who have invested in building a positive reputation from the negative outcomes associated with irresponsibility (Brammer and Pavelin, 2005; Godfrey, 2005; Minor and Morgan, 2011). The rationale being that the more reputed organisation may be given the benefit of the doubt in light of news of irresponsibility, whereas firms believed to be less reputable, may not. Thus, the positive associations with certain firms may 'buffer' or 'offset' some of the potential negative impacts of irresponsibility. Empirical evidence suggests that firms with positive associations suffered significantly less market-penalties after revelations of corporate irresponsibility (Ducassy, 2013; Jones, Jones and Little, 2000; Pfarrer, Pollock and Rindova, 2010; Sanchez, Sotorrio and Diez, 2012). Interestingly, evidence presented by Janney and Gove (2011) suggests that firms with an enhanced reputation for certain characteristics, such as governance, were penalised more for events which pertained specifically to governance failures (Janney and Gove, 2011: 1581), possibly indicating that organisational assessors interpret specific types of irresponsibility as hypocritical in certain situations. These assumptions are consistent with the findings of Rhee and Haunschild (2006), who concluded that automotive firms with increased reputations for product/service quality tend to undergo significantly greater market penalties following product recall announcements. Having said this, at present, there is uncertainty within the broader reputation literature regarding the conditions that prompt organisational assessors to endow firms with 'the benefit of the doubt' or ignore contradictory evidence, and those that stimulate reputational assessors to perceive the firm as culpable or hypocritical. These uncertainties then lead to the following question, namely *'which corporate characteristics are associated with reputation penalties in light of corporate irresponsibility?'*

Looking back at the literature from social psychology, research indicates that individuals are often reluctant to update their beliefs when presented with contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). This may indicate that contrary to the thematic assumption that reputations are fragile assets, stakeholder beliefs may become crystalised and remain stable even in the face of corporate irresponsibility. Nonetheless, greater stakeholder expectations may lead some firms to be held to higher moral standards than others (Kim, 2014). Implicit in this logic is that, conversely, low stakeholder expectations of the firm may lead organisations to be held to lower moral standards. This idea was put forward by Mishina, Block and Mannor (2012) who posit that reputational assessments tend to be 'path dependent', meaning that new information is interpreted on the basis of prior beliefs. In this chapter, I incorporate rationales from this theory of attribution offered by Mishina, Block and Mannor (2012) in order to explore how reputational assessments are impacted by varying levels of perceived corporate social responsibility. Below, *Figure 5.1* highlights the relevant theoretical concepts explored in the first part of *Chapter 5*.

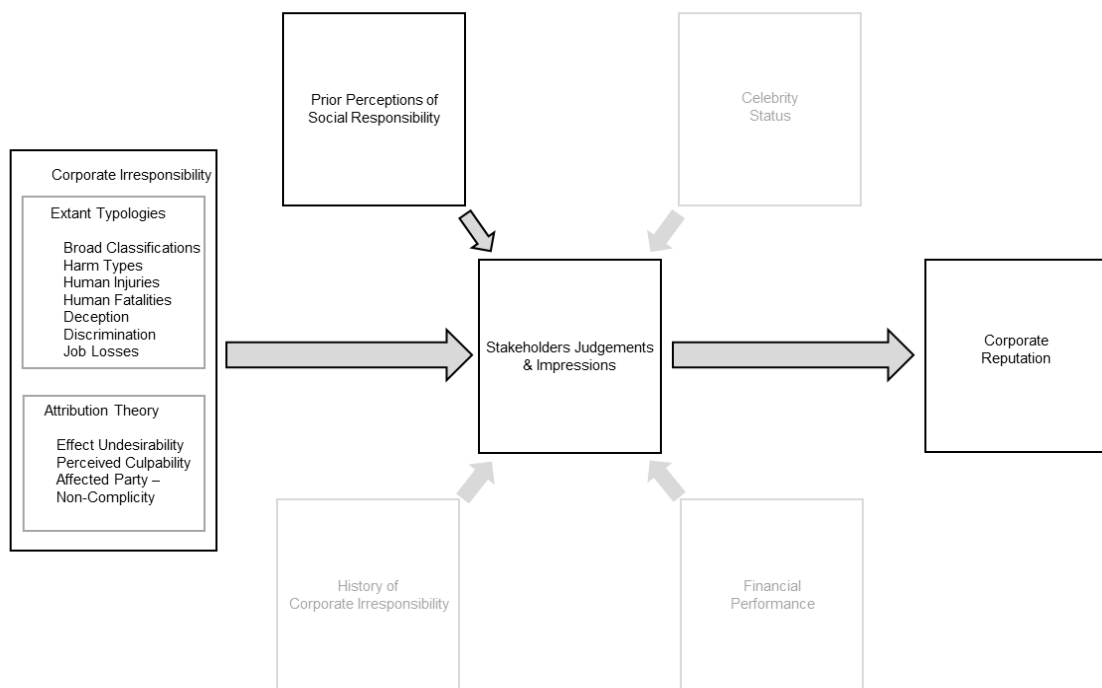


Figure 5.1: Conceptual overview of the contingent effect of prior social irresponsibility on the relationships between corporate irresponsibility and changes in corporate reputation

5.2.1. The Influence of Social Responsibility in the Context of Observed Irresponsibility

Although there are multiple components to the attribution framework suggested by Mishina and his colleagues, here I adopt the specific theoretical position that attributions in light of irresponsibility are ‘path dependent’ (Mishina, Block and Mannor, 2012: 465). The perspective that social judgements and impressions of the firm are based on prior beliefs is a promising yet empirically unexplored position in reputation research. Whilst my previous findings suggested that there is no broad relationship between irresponsibility and changes in corporate reputation (Hypothesis 4.1 of the previous chapter), the potential contingency of path dependency problematises the assumption that presence of irresponsibility does not impact corporate reputations because irresponsibility may elicit different outcomes for different firms. Organisations with strong social responsibility associations may, on the one hand, create greater expectations amongst its wider audiences. Resultantly, stakeholder observations of incongruent behaviour are more severely penalised for socially responsible organisations (King and McDonnell, 2012). However, prior research generally agreed that stronger social responsibility associations are likely to offset the reputational risks of

corporate irresponsibility (e.g., Brammer and Pavelin, 2005; Godfrey, 2005; Jones, Jones and Little, 2000; Minor and Morgan, 2011; Vanhamme and Grobбен, 2009). Whilst this body of CSR research largely attributes this phenomenon to stakeholders giving the firm 'the benefit of the doubt'; through the lens of attribution theory, rather than a comprehensive calculation to give otherwise responsible firms' pardon, assessors may instead bring to bear their prior beliefs as a judgement 'heuristic' or cognitive short-cuts to quickly assess the relevancy of information available to them (Mishina, Block and Mannor, 2012). This cognitive shorthand may, in turn, enable assessors to quickly decide whether new information is relevant and indicative of the firm's character/capabilities or whether it should be ignored.

Conversely, firms that have cemented predominantly negative associations in the minds of their observers may be largely expected to behave irresponsibly (Burgoon, 1978; Rhee and Haunschild, 2006), thus blunting the potential for negative social revisions of the firm. In other words, in the presence of irresponsibility, firms with negative social responsibility associations may, to some extent, experience less reputational penalties because social irresponsibility is largely expected of them. This has historically been the position adopted by expectancy violations theory (Bailey and Bonifield, 2010; Burgoon, 1996; Sohn and Lariscy, 2012). These ideas then lead to the following question: *'what about firms with neither particularly positive nor negative associations for social responsibility?'*

Firms with 'average' or neutral social responsibility associations, from an attribution perspective, may be at a distinct disadvantage. Having a neutral reputation may imply that these firms can neither take advantage of 'offsetting' the damage associated with irresponsibility through building distinctly positive associations for corporate social responsibility, nor are their reputations markedly negative enough for organisational assessors to largely expect irresponsible behaviour from them. The concept of path dependency is supported by a long history of observations in social psychology which suggest that individuals seldom update their beliefs when confronted with contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). Consequently, one might argue that firms with average social responsibility perceptions may be distinctly vulnerable in light of corporate irresponsibility, as assessments for these firms tend not to be path dependent. With these points in mind I hypothesise that,

H5.1a: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms in the first (top) and fourth (bottom) quartiles of reputation for social responsibility scores.

H5.1b: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms in the second (above average) and third (below average) quartiles of reputation for social responsibility scores.

5.2.2. The Influence of Social Responsibility on Extant Typologies and Categories of Irresponsibility

In the previous empirical chapter my theoretical position, drawn from theories of attribution, motivated an initial exploration into previous typologies and categories of irresponsibility proposed by the extant literature. This was because the possibility that irresponsibility poses broad reputational risks in most instances was a potentially relevant position when considering that theories of attribution have also suggested that individuals own distinct cognitive biases referred to as 'negativity biases'. This idea has now been supported by research in neuroscience, in that our attention and memories become drawn towards, and activated by, negative information significantly more compared to positive information (Gordon et al, 2008; Hamlin, Wynn and Bloom, 2010; Hanson and Mendius, 2009); a mechanism suggested to be manipulated in order to increase the newsworthiness of stories within the wider media (Hilbig, 2009). That said, whilst extant evidence from the market penalties perspective could be potentially the result of our negativity biases, in that most categories of irresponsibility are suggested to be associated with significant reputational impacts (Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), it does not explain whether the firm would receive reputational revisions from being simply 'associated' with irresponsibility, rather than being thought culpable. This was the general position of the attribution framework posed by Lange and Washburn (2012). In light of these conflicting theories of attribution, my findings suggested that irresponsibility did not have significant reputational effects for most classifications of irresponsibility, in fact, only under certain conditions appeared to be reputationally relevant. Here, I return to extant categories and typologies of irresponsibility in order to review the contingent cognitive mechanism of path dependency.

The idea that new information, such as revelations of corporate irresponsibility, is interpreted on the basis of prior assessor beliefs may largely explain why individuals repeatedly overlook or dismiss information when it contradicts their pre-established beliefs (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). What is more, the idea that irresponsibility may be path dependent may also explain why research shows that the most socially reputed firms suffer lower reputation penalties in light of irresponsibility (Coombs and Holladay, 2006; Ducassy, 2013; Jones, Jones and Little, 2000; Sanchez, Sotorrio and Diez, 2012) because generally, their behaviours are not thought of as 'typical' of those firms' past actions and behaviours, and therefore irresponsibility tends to be overlooked. Interestingly, firms with moderate reputations for social performance may be at a distinct disadvantage when assessing reputation penalties through this lens, as these firms are seemingly unable to take advantage of the protective properties of owning either a distinctly positive reputation, nor are expectations of them markedly low enough for negative behaviour to be expected by wider stakeholder audiences. However, some sub-categories of irresponsibility 'types' may be more indicative to reputational assessors than others.

I previously theorised that the relationship between broad aspects of irresponsibility such as broad categories, outcomes of irresponsibility, the presence of injuries, fatalities, deception, discrimination and job losses were, for the most part (with the exception of environmental and civil liberties harms) too general because, from the attribution perspective proposed by Lange and Washburn (2012), they do not adequately capture the nuanced elements of social evaluations that assessors find indicative of irresponsibility. Here, I propose that rather than lacking the diagnostic elements within themselves, these categories and typologies of irresponsibility may instead be largely contingent on the perceived characteristics of 'who' organisational observers are assessing. In this way, path dependency may lead assessors to the heuristic that socially responsible firms are unlikely to be culpable for causing a negative social outcome, whilst firms with distinctly negative social perceptions associated with them may be considered culpable, but their moral objections are largely expected. A reputationally vulnerable group of firms in light of corporate irresponsibility through the lens of path dependency may be those which are neither considered to have very strong positive nor negative associations. In these instances, the cognitive bias of path dependency may be somewhat weakened, leaving social evaluators without the potential heuristic or cognitive shorthand to make inferences as to the culpability of the firm or the diagnosticity of the event (Mishina, Block and Mannor, 2012). With these points in mind, I hypothesise that:

H5.2a: There is no significant relationship between broad categories and typologies of irresponsibility (including broad categories of irresponsibility, outcomes of irresponsibility, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.

H5.2b: There is a significant and negative relationship between broad categories and typologies of irresponsibility (including broad categories of irresponsibility, outcomes of irresponsibility, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.

5.2.3. Unpacking the Effect of Social Responsibility as it Relates to Attribution Theory

Here, I return to explore the specific attribution theoretic ideas offered by Lange and Washburn (2012). Though the authors positioned attribution theory specifically within the area of corporate social irresponsibility, they also pointed towards its application to understand "how individual-level attributions for social irresponsibility or irresponsibility that correlate across individuals may underlie the structural influences often studied in CSR research, including institutional and stakeholder pressures on the firm" (Lange and Washburn, 2012: 319). Here I contend that other cognitive influences may act upon the

mechanisms outlined by Lange and Washburn, in that irresponsibility attributions may also be contingent on perceptions of the firm, as the literature in CSR points out that organisations with more enhanced reputations often suffer less reputational penalties following revelations of irresponsibility (Ducassy, 2013; Jones, Jones and Little, 2000; Sanchez, Sotorrio and Diez, 2012). With this in mind, this chapter examines the effect of prior stakeholder perceptions of corporate social responsibility, specifically the level of prior social responsibility attributed to the firm. The addition of reputation for social responsibility to the principles put forward by Lange and Washburn (2012) helps explore not only the nuances of *what* stakeholders are assessing but also *who* is being assessed, as other, similarly nuanced theories of attribution have contended that reputation penalties are 'path dependent' and thus organisational assessors may call upon their prior beliefs and knowledge regarding the firm in order to make assessments of whether present information is indicative of the associated firm's character or capabilities (Mishina, Block and Mannor, 2012: 465).

5.2.4. The Influence of Social Responsibility in relation to Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity Independently

Lange and Washburn (2012) posit that irresponsibility assessments are stimulated primarily by either the degree to which organisational assessors find the behaviour of the firm to be personally threatening – or - the degree to which the firm's behaviour undermines their moral values. As with most cases of irresponsibility that relate to the behaviours of large multinational corporations, the majority of stakeholders may not find the actions of the firm to be personally threatening in most instances, as seldom does the entirety of a firm's stakeholders learn of irresponsibility through direct experience. Therefore, the most common motivation for stakeholder criticality may be the emotional response elicited through the actions carried out by the firm on another, which observers may then find morally objectionable. Yet, individual responses to a firm's morally objectionable actions may also be dependent on the actor who initiated that it, in this case, organisational characteristics such as prior perceptions of reputation for social responsibility may play a role, because the undesirability of an event may also be interpreted on the basis of how undesirable they believe the wrongdoer to be. Here, research on the halo effect contends that the positive reputational characteristics associated with some firms offset the reputational risks associated with irresponsibility, providing a form of reputational insurance in times of scrutiny (Brammer and Pavelin, 2005; Ducassy, 2013; Godfrey, 2005; Jones, Jones and Little, 2000; Minor and Morgan, 2011; Sanchez, Sotorrio and Diez, 2012). Contrastingly, firms with negative associations or reputations for corporate social irresponsibility are generally expected to behave irresponsibly, therefore potentially mitigating the possible reputational effects. Interestingly, firms with neither enhanced nor negative reputations may be at

particularly high risk when associated with events of considerable effect undesirability, as neither are they aided by a potential halo effect in light of positive prior associations, nor are they expected to behave irresponsibly because of negative social responsibility associations.

The second component of irresponsibility attributions offered by Lange and Washburn (2012) is the degree of perceived culpability. This alone may not be indicative of corporate criticality within the wider stakeholder pool, but does focus stakeholders' causal inferences either towards the focal firm or within the firm's environment (Green and Mitchell, 1979; Heider, 1958). Again, prior reputation for social responsibility may play a role in here in determining assessors' perceptions of culpability. Well reputed firms are generally expected to behave in accordance with societal expectations and the negative consequences of social irresponsibility may be largely offset by the crystallisation of positive social responsibility attributions related to the firm within the wider stakeholder community (Brammer and Pavelin, 2005; Coombs and Holladay, 2006; Ducassy, 2013; Godfrey, 2005; Jones, Jones and Little, 2000; Minor and Morgan, 2011). In turn, societal expectations of firms with distinctly poor reputations for social performance may decrease social expectations over time. Prior research has suggested that the CSR efforts of firms with poor reputations tend to be received with suspicion by reputational assessor, thus blunting the potentially positive outcomes of targeted CSR efforts (Bae and Cameron, 2006). What is more, good behaviour may be socially unexpected following a long history of social irresponsibility. Over time, this may culminate in reputational associations for being generally irresponsible. Revelations of poor behaviour may therefore be largely expected and thus irresponsibility may not be associated with significant reputation penalties for firms owning negative social responsibility reputations. Irresponsibility, however, may be increasingly problematic for firms with neither particularly good, nor bad social responsibility associations. Firms that are considered neither particularly socially reputed, nor socially irresponsible may be subject to the 'worse of both worlds' potentially - as again - these organisations may neither benefit from a reservoir of goodwill akin to those owning positive associations for social responsibility, nor are they subject to low enough social expectations for irresponsibility. Therefore, firms with above or below average social reputation scores may be distinctly more susceptible to being perceived as culpable.

The final component of Lange and Washburn's framework suggests that the sympathy garnered by the wider stakeholder community may be a significant factor in the attribution of irresponsibility (Lange and Washburn, 2012). Particularly, those events which victimize a party perceived as 'non-complicit' by wider stakeholder audiences are suggested to elicit broader sympathy, and thus may amplify the potential criticality of stakeholders towards the firm. Again, firms with neither particularly enhanced nor poor stakeholder social responsibility associations may be particularly vulnerable to reputation penalties in light of irresponsibility in instances which harm parties with low complicity. This is because firms with generally positive social responsibility associations and those with broadly negative

associations may be protected by the socio-cognitive mechanism of 'path dependency'. In turn, firms which do not possess either distinctly positive or distinctly negative attributes in the area of social responsibility are unlikely to have built any salient attributes in the minds of reputational assessors to then benefit from stakeholder expectations in the process of corporate irresponsibility assessments. Again, the relevance of corporate irresponsibility characteristics outlined by Lange and Washburn (2012) is tested in order to examine the potential significance of each of the three irresponsibility characteristics as they relate to reputation penalties. With this in mind, I hypothesise that:

H5.3a: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.

H5.3b: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.

5.2.5. The Influence of Social Responsibility in Relation to Combinations of Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

As described in the previous chapter, the irresponsibility characteristics identified by Lange and Washburn (2012) are combined in order to identify potentially salient combinations of features within this framework. Here I explore the combined presence of the irresponsibility characteristics, as theoretically, the combined presence of these attribution components should enhance the potential likelihood for reputation penalties following revelations of irresponsibility. Combining irresponsibility characteristics is therefore expected to lead to an increase in the explanatory power of attributions of irresponsibility (Lange and Washburn, 2012). However, the conceptual argument put forward in this section is that social expectations and the perceived 'diagnosticity' of events (Mishina, Block and Mannor, 2012) are critical co-factors in the relationship between irresponsibility and the potential for subsequent reputation penalties because a long history of observation in social psychology suggests stakeholders rarely update their beliefs in light of contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). Again, problems may mostly arise for firms that are not associated with particularly strong stakeholder beliefs oriented either positively or negatively in terms of social responsibility reputations because, for these firms, organisational assessors may not possess strong beliefs to contradict observations of irresponsibility. Thus, revelations of irresponsibility exhibiting both effect undesirability and perceived culpability may be significant only for

those firms with 'average' or 'moderate' reputations for social responsibility because of vulnerabilities exposed by not owning particularly strong organisational characteristics (i.e. social responsibility performance) in the minds of reputational assessors. In light of these points, I hypothesise that:

H5.4a: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.

H5.4b: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.

5.2.6. The Influence of Social Responsibility in relation to Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

Lange and Washburn (2012: 307) suggest that, it is the combined presence of the three irresponsibility elements 'effect undesirability', 'perceived culpability' and 'affected party non-complicity', that elicits irresponsibility attributions from organisational assessors. For a sample of firms with a range of prior reputations for social responsibility, it again may be possible for organisations with either generally positive or generally negative prior social responsibility associations to be interpreted differently by assessors. Specifically, some firms may be largely shielded from experiencing subsequent reputational penalties because those firms would have gained distinct advantages stemming from the socio-cognitive mechanism of 'path dependency' - in that once attributed reputational constituents are achieved, assessors largely view irresponsibility on the basis of prior beliefs (Mishina, Block and Mannor, 2012). Particularly, firms with enhanced prior reputations for social performance may be given the benefit of the doubt or the event may not be considered diagnostic by reputational assessors because the firm had, in the past, behaved generally well. Also, assessors may disregard contradictory evidence because they perceive the event, at some level, not to be indicative of firm attributes. In turn, firms with generally negative overall reputations for social responsibility are often expected to be associated with irresponsible behaviours. What this may imply for organisations which neither own particularly good nor bad reputations for social responsibility, is that they are unlikely to benefit from socio-cognitive processes, leaving the reputations of these firms distinctly vulnerable in light of irresponsibility. This may be particularly the case when all three irresponsibility characteristics suggested by Lange and Washburn (2012) are present. Based on this rationale, this study hypothesises that:

H5.5a: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.

H5.5b: There is a significant and negative relationship between combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.

5.3. Exploring the contingency of Celebrity Status: Background

From an attribution perspective, *celebrity* firms are in a distinct position when compared to their peer corporations. Celebrity firms may be considered bastions for their respective industries and held in high regard; consequently, these firms may garner significantly more stakeholder attention than non-celebrity firms (Rindova, Pollock and Hayward, 2006). In this way, the degree of celebrity status of the firm may also have an influence on the relationship between irresponsibility and changes in corporate reputations. Celebrity firms are distinctly more 'visible' to organisational assessors because external audiences follow prominent firms more closely (Brooks et al., 2003) and the "[n]ews media have a fascination with elites and celebrity status" (Carroll and McCombs, 2003: 44). However, this 'fascination' may have both positive and negative implications for celebrity firms. On the one hand, it appears logical to assume that celebrities may have distinct advantages over non-celebrity firms because they are abler to command premium prices (Rindova et al., 2005), form strategic alliances (Pollock and Gulati, 2007), and attract more investor and media attention (Pollock, Rindova and Maggitti, 2008). However, the ability to generate increased stakeholder attention may not be as advantageous when the firm engages in, or is associated with, acts of corporate irresponsibility. In such instances, news of corporate misdemeanors may, in fact, garner greater scrutiny. In their analysis of earnings surprises using US stock market data, Pfarrer, Pollock and Rindova (2010: 1144) found evidence of a halo-effect in that "firms possessing either high reputation or celebrity, experienced greater rewards for positive surprises and smaller penalties for negative surprises than firms that did not possess these assets." Whilst their findings indicate that increased celebrity status may shield firms from stock market losses, it remains unclear how celebrity status influences firms in light of irresponsibility when more robust, non-market based reputation measures are used.

From an attribution perspective, the more known an organisation's misdemeanors are, the more susceptible to assessor criticality the firm becomes. *Figure 5.2* below highlights the relevant concepts and relationships investigated in this second part of *Chapter 5*.

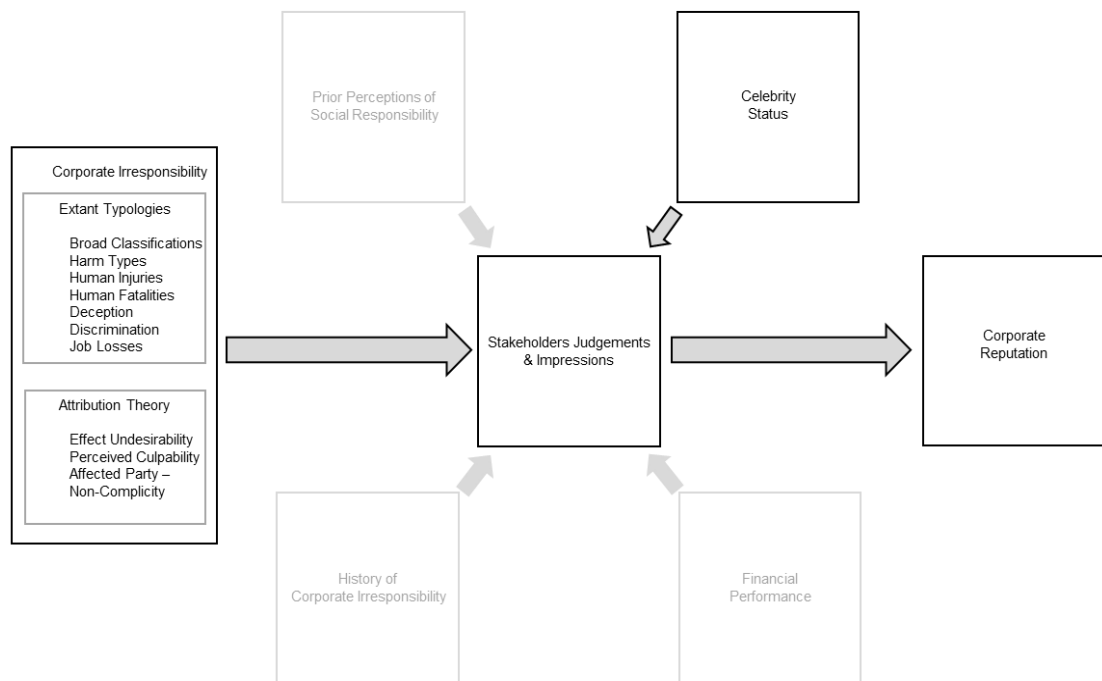


Figure 5.2: Conceptual overview of the contingent effect of celebrity status on the relationships between corporate irresponsibility and changes in corporate reputation

By unpacking the contingent relationship of celebrity status as it relates to general observations of irresponsibility and changes in corporate reputation, this study proposes that celebrities are at greater risk than non-celebrity firms because their behaviour tends to attract considerable more attention. In this way, I contend that celebrity status may be a ‘double edged sword’ of sorts, in that increased celebrity status may be considered an invaluable asset in order to promote the firm’s positive business activities, yet celebrity status may also prove a liability when the firm is associated with irresponsibility because celebrity firms tend to garner more unwanted publicity. Thus far, evidence from market-based literature suggests that celebrity firms are, in fact, protected by their status (Pfarrer, Pollock and Rindova, 2010). Therefore, in line with this study’s theoretical position, I argue that lower status firms potentially garner significantly less stakeholder attention, therefore decreasing the ‘circulation’ of news of irresponsibility and the number of assessors that may potentially revise-down their assessments of the firm. However, the effect of celebrity status on the relationship between broad observations of irresponsibility and changes in corporate reputation tends to be more complex. From an attribution theory perspective, the presence of irresponsibility alone is unlikely to be indicative of perceived irresponsibility, in that the

simple association with irresponsibility does not capture stakeholder assessments of whether the firm is perceived culpable for the event, nor does the simple observation of irresponsibility capture other substantive aspects of the event which assessors may find indicative of irresponsibility (Lange and Washburn, 2012). Thus, I hypothesise that:

H5.6a: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for celebrity firms (top quartile of market capitalization).

H5.6b: There is no significant relationship between observed irresponsibility and changes in corporate reputation for above-average (second quartile market capitalization), below-average (third quartile market capitalization) and non-celebrity firms (bottom quartile of market capitalization).

5.3.1. The Influence of Celebrity Status on Perceptions of Broad Categories and Extant Typologies of Irresponsibility

In the first empirical chapter, this study adopted the attribution perspective akin to that proposed by Lange and Washburn (2012) namely that stakeholders' attributions of irresponsibility are fundamentally complex, nuanced social evaluations drawn from multiple underlying facets of events. Thus, broad categories and typologies of irresponsibility may be considered too general as they may not adequately capture the social evaluations made in light of irresponsibility. Nonetheless, I explored a number of broad categories as well as typologies of irresponsibility utilised by extant research because, fundamentally, some theories of attribution often conflict. On the one hand, it is assumed that individuals have distinct negativity biases in which negative information is considerably more salient than positive information. The general idea here is that the "brain is like Velcro for negative experiences and Teflon for positive ones" (Hanson and Mendum, 2009: 41).

On the other hand, a long history of observations in social psychology suggests that individuals do not often update their beliefs even when contradictory evidence emerges (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). These conflicting evidence bases motivated an exploration of more nuanced attribution frameworks as well as an initial investigation into extant categories and typologies of irresponsibility. Evidence from the market penalties literature suggests that, broadly, irresponsibility tends to exert a significant and negative impact on changes in corporate reputation (e.g., Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005), thus reflecting the perspective that individuals tend to be cognitively biased towards negativity and sanctions. Although this study's initial results did

not support this proposition, adding celebrity status may amplify the potential innate negativity biases for celebrity firms specifically.

Further, this study theorises that celebrity firms are at a distinct disadvantage in light of revelations of irresponsibility because their capabilities of generating significant stakeholder attention may prove largely unwanted in this context. Increased media attention too may play a role in circulating news of the firm's wrongdoing, thus increasing the potential frequency of stakeholder criticality. Those firms without the celebrity status may not be considered as newsworthy when compared to celebrities. The activities of firms considered non-celebrities may often go largely unnoticed. Whilst this may be disadvantageous in other situations (i.e. when firms attempt to enhance their status and reputations), being 'under the radar' may prove useful for firms that engage in, or are associated with, irresponsible business activities, including the various harm types, harms to human life, deception, discrimination, job losses and alike. Therefore, I hypothesise that:

H5.7a: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for celebrity firms (top quartile of market capitalization).

H5.7b: There is no significant relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for above-average (second quartile market capitalization), below-average (third quartile market capitalization) and non-celebrity firms (bottom quartile of market capitalization).

5.3.2. Unpacking the Effect of Celebrity Status as it Relates to Attribution Theory

Here I explore specifically how stakeholder perceptions regarding the celebrity status of the firm may amplify or attenuate the relationship between discreet aspects of the attribution process and reputation penalties. More specifically, I theorise how variations in celebrity status may alter assessors' attributions of irresponsibility by returning to the framework offered by Lange and Washburn in their 2012 Academy of Management Review article titled '*Understanding Attributions of Corporate Social Irresponsibility*', in which the authors suggest that irresponsibility attributions are comprised namely of three distinct calculations; the degree of effect undesirability, perceived culpability and affected party non-complicity (Lange and Washburn, 2012). Lange and Washburn's (2012) model of irresponsibility attributions starts primarily with an appreciation that some events are considered to be more undesirable than others (Lange and Washburn, 2012). The underlying motivations for

perceptions of effect undesirability are expected to arise out of the assessors' self-preservation instincts (Pratto and John, 1991) and could be likened to the 'lemon's problem' described in economics, whereby assessors evaluate firms in order to avoid potentially negative interactions (Emons, 1988). Here, assessors are expected to evaluate whether the event may be personally threatening to them (Haidt and Bjorklund, 2008) or determine how morally objectionable they believe the event to be (Appiah, 2009). This moral objection may then further motivate corporate criticality. In the presence of effect undesirability, my previous analysis suggested that alone, effect undesirability is not a sufficient predictor of reputation penalties. However, the celebrity status of the organisation may play a role in amplifying the frequency with which the wider stakeholder pool concludes whether an undesirable effect has taken place. Here I continue the argument that generally, celebrity firms are more at risk in light of irresponsibility than non-celebrity firms because celebrities garner significantly more negative attention and media press. In turn, non-celebrity firms may often be considered as less newsworthy, thus decreasing the circulation of news of irresponsibility associated with non-celebrities and lowering the potential for stakeholder awareness.

In light of irresponsibility, being a celebrity firm may therefore have its downsides. These disadvantages may be particularly salient in incidents where stakeholders find it implausible to attribute responsibility for an event on external factors. As suggested earlier in this chapter, Lange and Washburn (2012) identified the degree of corporate culpability as an important aspect of assessors' irresponsibility attributions because causal attributions are suggested to describe the direction of stakeholder discontent. If causal attributions are directed toward a focal firm because alternative causal agents are lacking and the incident involves a firm with greater celebrity status, the celebrity status of the firm may magnify the number of potential stakeholders that will conclude the firm to be culpable for causing the event. Equally, firms which do not have elevated celebrity status, particularly those with very low visibility amongst potential organisational assessors, may garner less attention following instances of discreditable corporate behaviours, thus attenuating the relationship between focused stakeholder criticality and the corporate reputation of the firm.

The final calculation that Lange and Washburn (2012) suggest assessors of irresponsibility consider in light of irresponsibility, is the level of complicity the victimised parties have in relation to the event's effects. Perceptions of victim complicity are considered important because they are related to the level of sympathy garnered from the broader stakeholder pool. Events which victimise parties with a reduced capacity of foresight and abilities to maneuver potentially harmful events, are suggested to be perceived as having low complicity. Again, firms with moderate to low levels of celebrity status may be at less risk following incidents associated with non-complicit parties because they are likely to generate less stakeholder attention and press. In turn, celebrity firms may be considerably more susceptible to stakeholder scrutiny following irresponsibility events associated with non-

complicit victims broadly because celebrities tend to be the focus of much greater media attention. Following this rationale, I hypothesise that:

H5.8a: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for celebrity firms (top quartile of market capitalization).

H5.8b: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for above-average (second quartile market capitalization), below-average (third quartile market capitalization) and non-celebrity firms (bottom quartile of market capitalization).

5.3.3. The Influence of Celebrity Status in relation to Combinations of Effect Undesirability, Perceived Culpability and/or Affected Party Non-Complicity

As described previously in this chapter, I also interact combinations of irresponsibility characteristics articulated in the framework offered by Lange and Washburn (2012) in order to identify potentially salient combined features of the attribution of irresponsibility process. The presence of the multiple irresponsibility characteristics may potentially enhance the likelihood for reputation penalties following revelations of irresponsibility. From an attribution perspective, 'effect undesirability' and 'perceived culpability' signify two key factors in examining the relationship between corporate irresponsibility and potential reputation penalties. The level of moral discontent for firm behaviour, and the perception that the firm is to blame for an irresponsibility event, capture both the state of discontent and the direction of that discontent. In light of this, this study proposes that celebrity firms are at a distinct disadvantage in light of irresponsibility, particularly when the event is associated with outcomes perceived as undesirable and when few external causal agents are present. Events with both greater effect undesirability and perceived culpability may be less relevant for non-celebrities and for firms with a moderate celebrity status because potentially fewer stakeholders become aware of the news of irresponsibility. Hence, I hypothesise that:

H5.9a: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for celebrity firms (top quartile of market capitalization).

H5.9b: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-

complicity) and changes in corporate reputation for above-average (second quartile market capitalization), below-average (third quartile market capitalization) and non-celebrity firms (bottom quartile of market capitalization).

5.3.4. The Influence of Celebrity Status in Relation to the Combined Presence of Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

Finally, I explore the combined presence of all three irresponsibility elements described by Lange and Washburn (2012: 307) namely, 'effect undesirability', 'perceived culpability' and 'victimised party non-complicity'. This study proposes that, the presence of all three components may elicit the most significant irresponsibility attributions from organisational assessors - in some contexts. Specifically, when examining a sample of firms with a relatively wide range of celebrity statuses, it may be possible that some organisations fare worse than others. Continuing the logic outlined within this chapter, celebrity firms may be at significantly greater risk in light of irresponsibility with all three attribution characteristics because they may garner significantly more media and stakeholder attention. Thus, for celebrities, a greater number of potential assessors may become aware of the associated irresponsibility, therefore increasing celebrity firms' likelihood of being penalised by reputational assessors compared to non-celebrity firms. Organisations with moderate to low levels of celebrity status may have a distinct advantage in light of revelations of irresponsibility because they do not garner the same attention, therefore their activities may go largely 'under the radar' of organisational assessors. With this in mind, I hypothesise that:

H5.10a: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for celebrity firms (top quartile of market capitalization).

H5.10b: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for above-average (second quartile market capitalization), below-average (third quartile market capitalization) and non-celebrity firms (bottom quartile of market capitalization).

5.4. Data

This section only briefly takes stock of the variables employed in the analysis (detailed in *Chapter 3*, pages 64-74), whilst explaining the sub-sampling strategy used and the choice of sub-samples. As mentioned previously, reputation scores for this study were derived from Fortune Magazine's World's Most Admired Companies annual survey. The independent

variables explored, namely irresponsibility data (e.g. event classifications, stakeholder harm types and so on) were derived, in part, from Thompson Reuters ASSET4 dataset and supplemented with additional data from the LexisNexis; whilst control variables come from DataStream. A full list of corporate irresponsibility events, harm types and event characteristics in the sample are provided in *Tables 4.1 and 4.2 (Chapter 4, page 91)* and detailed in the Methodology section in *Chapter 3 (c.f. Table 3.1, pages 66-67)*.

5.4.1. Dependent Variable

Corporate Reputation

Similar to what was detailed in the previous empirical chapter, the WMAC survey measures reputation according to an 11-point scale (0 = poor, 10 = excellent). As a reminder, it should be mentioned that the companies that appear in the WMAC survey consist of the 5 to 10 largest companies from the Fortune 1,000 lists for the year prior to the year of the survey whilst the respondents are senior executives and outside directors of Fortune 1,000 companies and financial analysts who cover these companies.

In this chapter, firms are sub-sampled according to two key organisational characteristics that may distinguish some firms from others in their sample and most importantly, have the potential to shape attributions of irresponsibility. These organisational characteristics are **social responsibility** and **celebrity status**. Social responsibility data is collected from DataStream and measures how well firms score in terms of trust and loyalty with key stakeholders such as employees and or customers. In this case, the variable social responsibility was computed into four sub-samples, namely top quartile (firms with high social responsibility scores, 'high SR'), second quartile (firms with above average social responsibility scores, 'above average SR'), third quartile (firms with below average social responsibility scores, 'below average SR') and bottom quartile (firms with low social responsibility scores, 'low SR'). In turn, celebrity is measured by using the proxy of *market capitalization* (measured as stock price multiplied by the total number of shares outstanding) collected from DataStream. Since market capitalisation refers to the market value of a company's outstanding shares, it tends to be used by investors as a proxy to determine a company's size (and implicitly future potential) rather than using sales figures or total asset values. Here as well, the celebrity variable was computed into four sub-samples, namely top quartile (firms with high market capitalization, 'celebrities'), second quartile (firms with above average market cap, 'above average celebrity'), third quartile (firms with below average market cap, 'below average celebrity') and bottom quartile (firms with low market cap, 'non-celebrities'). Companies with a high market capitalisation value tend to be older and well-established market players in their respective industries. These companies are therefore companies whose strategies and behaviours are most reported in the business press (Dowling, 2006).

5.4.2. Independent Variables

Corporate Irresponsibility

Each independent variable measures a specific aspect of corporate irresponsibility. 'ANY_EVENT' measures all identified acts of corporate irresponsibility per firm year without initially distinguishing between the different types of acts of irresponsibility. 'EVENT_1' ... 'EVENT_20' classify incidents of irresponsibility using general thematic categories (see Table 4.1, page 91, for a list of event types). 'HARM TYPES' measures how stakeholders are affected (see Table 4.2, page 91, for a list of harm types). 'INJURIES' measures the specific effect of associated human injuries on changes in corporate reputation; 'FATALITIES' describes events with associated human fatalities; 'DECEPTION' captures incidents where the focal firm is associated with or accused of the deception of an individual and or stakeholder group(s); 'DISCRIMINATION' describes incidents whereby the firm is associated with discriminatory behaviour towards an individual and or stakeholder group(s); and 'JOB LOSSES' measures incidents associated with the loss of employment of current or previous employees.

In this chapter also, I test for Lange and Washburn's (2012) increasingly popular theory regarding event characteristics for the two types of subsamples, namely social responsibility and celebrity status. 'EFFECT_UNDESIRABILITY' measures events that are associated with an associated degree of moral disregard by organisational observers; 'CULPABILITY' measures whether an incident was reported alongside other potential causal agents; while 'NON-COMPLICITY' measures incidents that are associated with groups of stakeholders likely to be seen as non-complicit and evoke increased sympathy from the general stakeholder pool. Similar to Chapter 1, I test for the combined effects of these event characteristics on changes in corporate reputation for the two sub-samples considered.

5.4.3. Control Variables

A measure of each firm's 'LEVERAGE' (the ratio of total debt to total assets), and 'ROA' (pre-tax profits to total assets) were extracted from DataStream. A measure of 'FIRM SIZE' (the natural logarithm of the value of total assets) was also collected from DataStream and included in all the regression models. Furthermore, I measured 'R&D intensity' (ratio of R&D expenditures to total assets) using the data available in DataStream. I controlled for how well the firms score in various areas associated with reputational performance. 'ENVIRONMENTAL SCORE' (ENV_SCORE) and 'CORPORATE GOVERNANCE SCORE' (CGV_SCORE). Each year was controlled for (respectively, 2006, 2007, 2009, 2010, 2011 and 2012); and dichotomous industry sector variables were included which took the value of

'1' if the firm belonged to a specific industry and a value of '0' otherwise. Please see a full list of industry sectors controlled for in this study in *Table 4.4* (in *Chapter 4*, page 96).

5.5. Model specification

I present linear regression results modelling the relationships between corporate reputation and the explanatory variables described in the previous section. Particularly, in this chapter, examines whether the effects of corporate irresponsibility variables such as irresponsibility events and stakeholder harms, predict changes in reputational scores differently for firms which belong to the top quartile of celebrity status, second, third or bottom quartiles respectively. Furthermore, this study also examines whether the effects of corporate irresponsibility variables such as irresponsibility events and stakeholder harms, predict changes in reputational scores differently for firms which belong to the top quartile of social responsibility rankings, second, third or bottom quartiles respectively.

Table 4.3 in *Chapter 4* reported the means, standard deviations and correlation matrix for the variables in this study. In this chapter, I only examined for multicollinearity between the variable "celebrity status" and the other variables, and there were no significant correlations found (no correlations over 0.40). Furthermore, as illustrated in *Table 4.4* (*Chapter 4*, page 95) the VIF for the variable 'celebrity' (i.e. market capitalisation) has a value of 4.32, thus showing no significant evidence of multicollinearity (see Field, 2009).

5.6. Results for social responsibility sub-sample

In this chapter, *Tables 5.1 – 5.8* present the linear regression results for the sub-sample 'social responsibility' whilst *Tables 5.9 - 5.15* present the results of the linear regression concerning the effects of corporate irresponsibility on the 'celebrity' sub-samples.

Model 1 is the base model (see *Table 5.1*). Again, in line with extant empirical research in corporate reputation and social responsibility (see Brammer and Millington, 2004; Brammer and Pavelin, 2006), results show that changes in reputation are largely contingent on prior year rankings as seen in the value of the LAG variable ($p < 0.001$). Similarly, firms with greater financial performance appear to benefit from enhanced reputations. Model 2 in *Table 5.2* tests broadly for the effect of corporate irresponsibility (ANY_EVENT) on changes in corporate reputation to verify Hypothesis 5.1a which predicted that there are no significant relationships between observed irresponsibility and changes in corporate reputation for firms in the top and bottom quartiles of social responsibility scores. Whilst Hypothesis 5.1b predicted a significant and negative relationship between observed irresponsibility and reputational change for firms with above average and below average SR. The results of the

regression model show no significant relationship between the variable ANY_EVENT and changes in corporate reputation for all sub-samples. Thus, Hypothesis 5.1a is supported, whilst no support was found here for Hypothesis 5.1b.

Hypothesis 5.2a predicted no significant relationships between broad event categories/extant typologies and changes in corporate reputation for firms with high and low social responsibility scores (Models 3-9). Indeed, Hypothesis 5.2a is mostly supported, exception being the marginally positive effect of child labour events on changes in the reputation of firms with high SR ($\beta=0.68$, $p<0.10$), the positive effect of public health events on firms with low SR ($\beta=1.73$, $p<0.01$) and the negative effect of earnings also on reputational changes for firms with low SR ($\beta=-1.13$, $p<0.10$). Reputational enhancements may be the result of the financial benefits associated with irresponsibility in which case firms with low SR are more appropriately positioned to take advantage of these. Further, the positive reputational change associated with child labour incidents may largely be due to the appropriate management of such events for higher SR firms. No significant results were found for the relationship between harm types/ human injuries/ human fatalities/ deception/ discrimination on changes in corporate reputation for firms with high and low SR. The effect of job losses is, indeed, marginally significant and negative on reputational changes for firms with low SR ($\beta=-0.24$, $p<0.10$). Whilst on the one hand, job losses can be perceived as firms' increasing attempts to become more cost efficient; on the other hand, layoffs may, in some circumstances, be considered indicative of negative growth. This may potentially indicate that firms with low social responsibility perceptions tend to be held to higher economic responsibilities such as sustaining employment.

Hypothesis 5.2b predicted a significant and negative relationship between broad categories/extant typologies of irresponsibility events and changes in reputation for firms with above and below average SR scores, which was only partly confirmed since the reputations of firms with above average SR were significantly enhanced by freedom of association events ($\beta=1.64$, $p<0.01$). In turn, the reputations of firms with below average SR were significantly decreased by accounting controversies ($\beta=-0.54$, $p<0.01$) and human rights controversies ($\beta=-0.60$, $p<0.01$). Further, the reputations of firms with below average SR are significantly and positively associated with reputation change for child labour incidents ($\beta=0.83$, $p<0.001$) and product and service quality controversies ($\beta=0.23$, $p<0.05$). No significant results were found for the relationships between harm types/ human injuries/ human fatalities/ deception/ discrimination/ job losses and reputational changes for firms with above and below average social responsibility scores. Consequently, Hypothesis 5.2b is largely unsupported.

Models 10-16 test the attribution theoretic framework offered by Lange and Washburn (2012) concerning the relationship between EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY on changes in corporate reputation for firms with different SR scores. Hypotheses 5.3a, 5.4a, and 5.5a predicted that these

attribution characteristics would have no significant effect on reputational change for firms with the highest and the lowest relative SR scores. Whilst Hypotheses 5.3b, 5.4b and 5.5b predicted that firms with above and below average SR scores will be significantly and negatively impacted by main effect of the three attribution characteristics outlined by Lange and Washburn (2012). Models 10 and 11 in *Table 5.6* show no significant relationships. Model 12 in *Table 5.6* shows a positive but only marginally significant relationship between non-complicity and changes in reputation amongst the most socially responsible ($\beta=0.13$, $p<0.10$). Hypothesis 5.3a was mostly supported, whilst Hypothesis 5.3b was not supported.

Furthermore, results in *Table 5.7* show no significant relationships between combined facets of irresponsibility and changes in reputation for firms with high and low SR scores, thus confirming Hypothesis 5.4a. In turn, Model 13 in *Table 5.7* illustrates a positive and significant effect of the combined presence of effect undesirability and non-complicity on changes in corporate reputation for above average SR firms ($\beta=0.00$, $p<0.05$). Similarly, Model 14 shows evidence of reputation enhancements when testing for the combined effect of culpability and non-complicity for firms with below average SR ($\beta=0.50$, $p<0.10$); these results did not find support for Hypothesis 5.4b. Model 16 in *Table 5.8* is only significant for reputational changes in firms with above average SR; however, this relationship is also positive ($\beta=0.00$, $p<0.05$). Hypothesis 5.5a is fully supported, whilst Hypothesis 5.5b is not supported. These somewhat counterintuitive results may imply managerial effects.

Table 5.1: Results of the linear regression for base Model 1: Social Responsibility (SR) sub-sample^{a,b,c}

Variables	Model 1			
	High SR	Above average SR	Below average SR	Low SR
Constant	1.70 [†]	0.23	0.89	0.11
LAGS (REP T,1)	0.73***	0.78***	0.74***	0.72***
FIRM SIZE	0.02	0.05	0.06	0.08*
RDASS	-0.02 [†]	0.01	0.00	-0.00
LEVERAGE	-0.01*	-0.01	-0.01**	-0.01*
ROA	0.01**	0.00	0.01**	0.01*
SOC_SCORE ^c	-0.01	0.01	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 [†]
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00
YEAR	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present
Std. error	0.47	0.50	0.52	0.54
F	16.132	11.024	17.319	15.144
R square	0.74	0.73	0.74	0.74
Adjusted R square	0.69	0.66	0.70	0.69
N	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are *** $p<0.001$; ** $p<0.01$; * $p<0.05$; [†]0.10

^bAll regression models are significant for *** $p<0.001$

^cSince the hypothesised value is <0.005 , the statistic reduces to Estimate/SE.

Table 5.2: Results of the linear regression for Models 2 and 3: Social responsibility (SR) sub-sample^{a,b,c}

Independent variables	Model 2				Model 3			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.82 ⁺	-1.56	0.86	0.11	1.62	0.65	0.75	0.10
ANY_EVENT	0.07	0.04	-0.02	0.02				
EVENT 1_Management compensation					-0.06	0.30	-0.08	-0.11
EVENT 2_Shareholder rights					-0.21	-0.31	0.10	0.02
EVENT 3_Earnings					0.21	-0.20	0.05	-1.13 ⁺
EVENT 4_Insider Trading					-0.15	0.50	0.30	-0.49
EVENT 5_Accounting					-0.29	-0.31	-0.54**	-0.04
EVENT 6_Customer/Consumer					0.03	0.05	-0.11	0.04
EVENT 7_Product & Service Quality					0.06	0.19	0.23*	0.19
EVENT 8_Spills and pollution					-0.04	0.09	-0.14	-0.28
EVENT 9_Product recalls					-0.03	0.15	0.02	-0.03
EVENT 10_Intellectual property					0.00	0.01	0.05	-0.04
EVENT 11_Public Health					0.11	0.69	-0.15	1.73*
EVENT 12_Taxation					-0.01	-0.21	-0.06	-0.07
EVENT 13_Anti-corruption					-0.04	0.03	0.09	-0.12
EVENT 14_Human rights					0.15	-0.30	-0.60**	-
EVENT 15_Child Labor					0.68 ⁺	0.34	0.83**	0.79
EVENT 16_Freedom of association					0.17	1.64**	-0.12	-
EVENT 17_Diversity and opportunity					-0.07	-0.00	0.13	-0.18
EVENT 18_Wages and working conditions					0.10	0.04	-0.10	-0.20
EVENT 19_Employee health and safety					0.12	-0.06	0.24	0.37
EVENT 20_Ethics					-0.21	-0.20	-0.10	0.03
LAGS (REP T,1)	0.73***	0.68***	0.73***	0.72***	0.73***	0.77***	0.72***	0.70**
FIRM SIZE	0.05	0.06	0.06 ⁺	0.08*	0.06	0.03	0.07	0.09*
RDASS	-0.02 ⁺	0.02	0.00	-0.00	-0.01	0.00	-0.00	-0.01
LEVERAGE	-0.01*	-0.01**	-0.01**	-0.01*	-0.01 ⁺	-0.00	-0.01*	-0.01*
ROA	0.01**	0.01**	0.01**	0.01*	0.01**	-0.00	0.02**	0.01
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.00	-0.01	0.00	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00	0.00 ⁺
CVG_SCORE ^c	0.00	0.03**	0.00	-0.00	-0.00	-0.01	0.01 ⁺	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
Std. error	0.47	0.50	0.52	0.55	0.47	0.50	0.51	0.54
<i>F</i>	15.826	14.310	16.972	14.817	11.405	8.146	13.731	11.532
<i>R square</i>	0.74	0.74	0.74	0.74	0.76	0.76	0.77	0.76
<i>Adjusted R square</i>	0.69	0.70	0.70	0.70	0.69	0.66	0.71	0.70
<i>N</i>	327	253	396	332	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.3: Results of the linear regression for Models 4 and 5: Social responsibility (SR) sub-sample^{a,b,c}

Independent variables	Model 4				Model 5			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.82 ⁺	0.53	0.66	0.08	1.75 ⁺	0.27	0.87	0.14
HARM 1 - Financial	-0.02	0.06	-0.03	0.04				
HARM 2 - Physical	0.07	0.07	0.02	0.14				
HARM 3 – Emotional	0.14	0.02	-0.00	-0.03				
HARM 4 – Civil Liberties	-0.12	-0.01	-0.14	-0.12				
HARM 5 - Environmental	-0.02	0.07	-0.03	-0.27				
INJURIES					0.07	0.05	-0.05	0.13
LAGS (REP T,1)	0.74***	0.77***	0.75***	0.71***	0.74***	0.77***	0.74***	0.72***
FIRM SIZE	0.02	0.02	0.08*	0.09*	0.01	0.04	0.06 ⁺	0.08 ⁺
RDASS	-0.02 ⁺	0.01	0.00	-0.00	-0.02*	0.01	0.00	-0.00
LEVERAGE	-0.01*	-0.01	-0.01**	-0.01*	-0.01*	-0.01	-0.01**	-0.01*
ROA	0.01**	6.79	0.01**	0.01*	0.01*	0.00	0.01**	0.01*
SOC_SCORE ^c	-0.01	0.01	-0.00	-0.00	-0.00	0.01	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00	0.00 ⁺
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.51	0.52	0.55	0.47	0.50	0.52	0.54
<i>F</i>	14.275	9.709	15.610	13.506	15.800	10.766	16.983	14.854
<i>R square</i>	0.74	0.73	0.74	0.75	0.74	0.73	0.74	0.74
<i>Adjusted R square</i>	0.69	0.65	0.70	0.69	0.69	0.70	0.70	0.69
<i>N</i>	327	253	396	332	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.4: Results of the linear regression for Models 6 and 7: Social responsibility (SR)
sub-sample^{a,b,c}

Independent variables	Model 6				Model 7			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.66	0.25	0.77	0.12	1.69	0.34	0.82	0.11
FATALITIES	-0.07	0.04	-0.13	-0.27				
DECEPTION					-0.01	0.05	-0.04	0.01
LAGS (REP T,1)	0.74***	0.78***	0.74***	0.73***	0.74***	0.78***	0.74***	0.72***
FIRM SIZE	0.02	0.05	0.07+	0.08*	0.02	0.04	0.07+	0.08*
RDASS	-0.02+	0.01	0.00	-0.00	-0.02+	0.01	0.00	-0.00
LEVERAGE	-0.01*	-0.01	-0.01**	-0.01*	-0.01*	-0.01	-0.01*	-0.01*
ROA	0.01**	3.73	0.01**	0.01*	0.01*	0.00	0.01**	0.01*
SOC_SCORE ^c	-0.01	0.01	-0.00	-0.00	-0.01	0.01	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00+	0.00	0.00	0.00	0.00+
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.50	0.52	0.54	0.47	0.50	0.52	0.54
<i>F</i>	15.789	10.759	17.062	14.957	15.755	10.773	16.995	14.811
<i>R square</i>	0.74	0.73	0.74	0.74	0.74	0.73	0.74	0.74
<i>Adjusted R square</i>	0.69	0.66	0.70	0.69	0.69	0.66	0.70	0.69
<i>N</i>	327	253	396	332	327	253	396	332

Table 5.5: Results of the linear regression for Models 8 and 9: Social responsibility (SR)
sub-sample^{a,b,c}

Independent variables	Model 8				Model 9			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.64	0.24	0.97+	0.10	1.81+	0.37	0.90	0.05
DISCRIMINATION	-0.09	-0.04	0.05	-0.09				
JOB LOSSES					0.08	0.07	0.01	-0.24+
LAGS (REP T,1)	0.73***	0.77***	0.73***	0.72***	0.74***	0.78***	0.74***	0.71***
FIRM SIZE	0.03	0.05	0.06	0.09*	0.01	0.03	0.06	0.09*
RDASS	-0.02+	0.01	0.00	-0.00	-0.02+	0.01	0.00	0.00
LEVERAGE	-0.01*	-0.01	-0.01*	-0.01+	-0.01*	-0.01	-0.01*	-0.00+
ROA	0.01**	0.00	0.01**	0.01+	0.01*	6.26	0.01**	0.01*
SOC_SCORE ^c	-0.01	0.00	-0.00	-0.00	-0.01	0.01	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00+	0.00	0.00	0.00	0.00*
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.50	0.52	0.54	0.47	0.50	0.52	0.54
<i>F</i>	15.819	10.759	16.984	14.830	15.831	10.784	16.965	15.016
<i>R square</i>	0.74	0.73	0.74	0.74	0.74	0.73	0.74	0.75
<i>Adjusted R square</i>	0.69	0.66	0.70	0.69	0.69	0.66	0.70	0.69
<i>N</i>	327	253	396	332	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; +0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.6: Results of the linear regression for Models 10, 11 and 12: Social responsibility (SR) sub-sample^{a,b,c}

Independent variables	Model 10				Model 11				Model 12			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.61	0.40	0.73	0.42	1.63	0.57	0.63	0.43	1.64	0.64	0.59	0.48
EFFECT_UNDESIRABILITY ^c	0.00	0.00	0.00	0.00								
CULPABILITY					0.02	0.10	-0.06	-0.02				
NON-COMPLICITY									0.13 ⁺	0.14	-0.07	0.16
LAGS (REP T,1)	0.73***	0.78***	0.74***	0.72***	0.73***	0.77***	0.74***	0.72***	0.74***	0.78***	0.74***	0.72***
FIRM SIZE	0.02	0.04	0.06	0.08*	0.01	0.03	0.07 ⁺	0.08*	-0.00	0.02	0.07 ⁺	0.08 ⁺
RDASS	-0.02 ⁺	0.01	0.00	-0.00	-0.02 ⁺	0.01	0.00	-0.00	-0.02*	0.01	0.00	-0.00
LEVERAGE	-0.01*	-0.01	-0.00**	-0.01 ⁺	-0.01*	-0.01	-0.01**	-0.01 ⁺	-0.01*	-0.01	-0.01*	-0.01*
ROA	0.01**	0.00	0.01**	0.01*	0.01**	-0.00	0.01**	0.01*	0.01**	-0.00	0.01**	0.01*
SOC_SCORE ^c	-0.01	0.01	-0.00	-0.00	-0.01	0.01	-0.00	-0.00	-0.00	0.00	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00	0.00 ⁺
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
Std. error	0.47	0.50	0.52	0.54	0.47	0.50	0.52	0.55	0.47	0.50	0.52	0.54
<i>F</i>	15.799	10.758	17.020	14.836	15.762	10.844	17.032	14.816	15.980	10.914	17.026	14.910
<i>R square</i>	0.74	0.73	0.74	0.74	0.74	0.73	0.74	0.74	0.74	0.73	0.74	0.74
<i>Adjusted R square</i>	0.69	0.66	0.70	0.69	0.69	0.66	0.70	0.69	0.70	0.66	0.70	0.69
<i>N</i>	327	253	396	332	327	253	396	332	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; +0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.7: Results of the linear regression for Models 13, 14 and 15: Social responsibility (SR) sub-sample^{a,b,c}

Independent variables	Model 13				Model 14				Model 15			
	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.64	0.83	0.58	0.44	1.66	0.78	0.56	0.46	1.67	0.75	0.66	0.44
EFFECT_UNDESIRABILITY ^c	-0.00	-0.00	-0.00	0.00	-0.00	-0.00	-0.00	0.00	-0.00	0.00	0.00	0.00
CULPABILITY	-0.01	0.05	-0.06	-0.07	0.01	0.08	0.05	-0.07	-0.00	0.06	-0.10	-0.09
NON-COMPLICITY	0.13 ⁺	0.11	-0.06	0.18	0.11	0.07	-0.08	0.20	0.46	0.11	-0.52	-0.11
EFFECT_UNDESIRABILITY AND CULPABILITY ^c	-0.00	0.00	0.00	-0.00								
EFFECT_UNDESIRABILITY AND NON-COMPLICITY ^c					0.00	0.00*	0.00	-0.00				
CULPABILITY AND NON-COMPLICITY									-0.34	0.01	0.50 ⁺	0.35
LAGS (REP T,1)	0.74***	0.78***	0.74***	0.72***	0.73***	0.78***	0.74***	0.72***	0.73***	0.78***	0.73***	0.73***
FIRM SIZE	0.00	0.01	0.07 ⁺	0.08 ⁺	0.00	0.01	0.07 ⁺	0.08 ⁺	0.00	0.02	0.08 ⁺	0.08 ⁺
RDASS	-0.02*	0.01	0.00	0.00	-0.02*	0.00	0.00	0.00	-0.02*	0.01	0.00	-0.00
LEVERAGE	-0.01*	-0.00	-0.01**	-0.01 ⁺	0.01*	-0.01	-0.01**	-0.01*	-0.01*	-0.01	-0.01**	-0.01*
ROA	0.01**	-0.00	0.01**	0.01 ⁺	0.01**	-0.00	0.01**	0.01 ⁺	0.01**	-0.00	0.01**	0.01 ⁺
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.00	-0.00	0.01	-0.00	-0.00	-0.00	0.01	-0.01	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00	0.00 ⁺	0.00	0.00	0.00 ⁺	0.00
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.50	0.52	0.55	0.47	0.50	0.52	0.55	0.47	0.50	0.52	0.55
<i>F</i>	14.953	10.215	16.195	14.040	15.102	10.477	16.212	14.039	14.989	10.176	16.356	14.101
<i>R square</i>	0.74	0.73	0.74	0.74	0.75	0.74	0.74	0.74	0.74	0.73	0.75	0.75
<i>Adjusted R square</i>	0.69	0.66	0.70	0.69	0.70	0.67	0.70	0.69	0.70	0.66	0.70	0.70
<i>N</i>	327	253	396	332	327	253	396	332	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.8: Results of the linear regression for Model 16: Social responsibility (SR) sub-sample^{a,b,c}

Independent variables	Model 16			
	High SR	Above average SR	Below average SR	Low SR
<i>Constant</i>	1.66	0.78	0.56	0.47
EFFECT_UNDESIRABILITY ^c	-0.00	-0.00 ⁺	-0.00	0.00
CULPABILITY	0.01	0.08	-0.05	-0.07
NON-COMPLICITY	0.11	0.07	-0.08	0.13
EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY ^c	0.00	0.00*	0.00	0.00
LAGS (REP T,1)	0.73***	0.78***	0.74***	0.72***
FIRM SIZE	0.00	0.01	0.07 ⁺	0.08 ⁺
RDASS	-0.02*	0.00	0.00	-0.00
LEVERAGE	-0.01*	-0.01	-0.01**	-0.01 ⁺
ROA	0.01**	-0.00	0.01**	0.01 ⁺
SOC_SCORE ^c	-0.00	0.01	-0.00	-0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00 ⁺
CVG_SCORE ^c	0.00	-0.01	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.50	0.52	0.55
<i>F</i>	15.104	10.477	16.229	14.068
<i>R square</i>	0.74	0.74	0.74	0.75
<i>Adjusted R square</i>	0.70	0.67	0.70	0.69
<i>N</i>	327	253	396	332

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

5.7. Results for celebrity status sub-sample

Tables 5.9 - 5.16 present the results of the linear regression concerning the effects of corporate irresponsibility on the changes in reputation for the 'celebrity' sub-samples.

As previously indicated, the first model, in this case, Model 17 is the base model (see Table 5.9). Similar to previous results, reputation scores are highly contingent on the previous year's ranking. Further, this model showed no irregularities or inconsistencies. Model 18 tests for the predicted effects of Hypothesis 5.6a and 5.6b. Hypothesis 5.6a predicted significant and negative reputational changes for celebrity firms. Model 18 in Table 5.10 shows that ANY_EVENT has a negative and significant relationship with changes in corporate reputation for celebrities ($\beta=-0.12$, $p<0.05$) and no significant effect for firms in other celebrity sub-samples. Thus, Hypothesis 5.6a as well as Hypothesis 5.6b – which predicted that there are no significant relationships between observed irresponsibility and changes in corporate reputation for non-celebrity firms (second, third and fourth sub-samples of market capitalisation) - are supported. This result is interesting because this is

the first evidence that the reputations of some firms may be more broadly vulnerable to acts of corporate irresponsibility. This may be because celebrities have an enhanced capacity to garner increased attention from wider audiences in circumstances both good and bad.

Hypothesis 5.7a predicted a negative relationship between broad categories of irresponsibility/ extant typologies and changes in reputation for celebrity firms only. Whilst Hypothesis 5.7b predicted that there would be no significant relationship between broad categories/ extant typologies of irresponsibility and reputational change for non-celebrity firms, namely those in the second, third and fourth (bottom) quartiles of market capitalisation. Interestingly, the results in Model 19 in *Table 5.10*, show that different types of event categories influence the reputation of firms according to whether they are celebrities or non-celebrities. Somewhat counterintuitively, the analysis shows a positive and marginally significant relationship between product and service quality ($\beta=0.09$, $p<0.10$) and child labour ($\beta=0.44$, $p<0.05$) and the reputation of celebrities; and a negative and significant relationship between accounting ($\beta=-0.45$, $p<0.001$) as well as a negative and marginally significant relationship between ethical controversies ($\beta=-0.07$, $p<0.10$) and changes in corporate reputation scores also for celebrities. Furthermore, Model 20 shows a negative and marginally significant relationship between consumer controversies and reputational changes for firms with above average market capitalisation ($\beta=-0.09$, $p<0.10$). Further, organisations classified into the third quartile of celebrity status, i.e. with below average market capitalisation were associated with a number of positive and marginally significant results relating to anticorruption ($\beta=0.47$, $p<0.10$), taxation ($\beta=0.71$, $p<0.10$), and insider trading ($\beta=1.06$, $p<0.10$), as well as a negative and marginally significant effect for shareholder rights events ($\beta=-0.31$, $p<0.10$) on changes in corporate reputation. Finally, the reputation of non-celebrities, i.e. firms with low market capitalisation, is significantly and negatively related to earnings ($\beta=-2.11$, $p<0.01$) and negatively and marginally affected by insider trading controversies ($\beta=-0.56$, $p<0.10$).

Although the above results, in part, contradict the initial Hypotheses 5.7a and 5.7b, the findings may indicate that, whilst a firm may be considered a 'non-celebrity' within its wider audiences, the firm may, in fact, be well known to managers and senior analysts, such as those participants surveyed to compile the WMAC data used within this study. Celebrity status may therefore differ depending on the stakeholder group surveyed. Some firms may not be considered a celebrity with respect to the general public, yet may be understood to be a 'hometown' hero or villain with respect to specific stakeholder groups. For instance, financial investment services firms may not be widely familiar to the general public yet may be distinctly 'on the radar' of business and management professionals. Thus, some events may leave these firms distinctly vulnerable to incidents such as earnings restatements, accounting controversies and shareholder rights issues that specifically undermine their financial performance.

That said, my results also suggest that other observations of corporate irresponsibility - namely those of a more social orientation - may actually enhance corporate reputation. Again, firms engaging in irresponsibilities from which they may derive distinct financial advantages, may be able to strengthen their aggregate reputations overall when the enhancements to the firm's financial reputation outweigh the damages to the firm's social reputation (such as reputation for product service quality, for instance). What is more, my results suggest that below average and non-celebrity firms may be best situated to take advantage of this process because their actions may garner significantly less media and stakeholder attention. Another initially counterintuitive result was that celebrity firms may enhance their reputations in light of certain irresponsibilities too. One straightforward explanation for these findings is that celebrity firms in particular, may manage their remedial actions to the extent that they may actually enhance assessors' opinions of the firm. Such observations are relatively common in the crisis management literature (see Kash and Darling, 1998; Mitroff, 1994; Ulmer, Sellnow and Seeger, 2013).

Model 20 adds the effect of stakeholder harms (financial harm, physical harm, emotional harm, civil liberties harm and environmental harm) on changes in corporate reputation for the different celebrity sub-samples. Model 20 in *Table 5.11* shows no significant relationships between financial, physical, emotional, civil liberties or environmental harm on changes in corporate reputation for firms with above average market capitalisation and non-celebrities (lowest market capitalisation). That said, there is a negative and significant relationship between emotional harm and reputation for firms with below average market capitalisation ($\beta = -0.53$, $p < 0.05$). These findings go counter to the general position of Hypothesis 5.7b. That said, there is a negative and significant relationship (although marginally) between civil liberties harms and reputation changes for celebrities ($\beta = -0.05$, $p < 0.10$), thus offering some support for the ideas proposed in Hypothesis 5.7a.

Furthermore, Model 21 in *Table 5.11* tests for the effects of cases of observed human injuries on changes in reputation. Results show no significant relationships between human injuries and changes in reputation for celebrities and non-celebrities, evidencing Hypothesis 5.7b but not 5.7a. Having said that, Model 22 in *Table 5.12* concerns the effect of human fatalities which was insignificant for non-celebrities (those firms classified within the second, third and fourth (bottom) quartiles of market capitalisation), but negative and marginally significant for celebrities ($\beta = -0.12$, $p < 0.10$); thus also confirming Hypotheses 5.7a and 5.7b respectively. Also in Model 23, there are no significant relationships between stakeholder deception and changes in corporate reputation for none of the sub-samples, thus, confirming Hypothesis 5.7b but not 5.7a, where a significant and negative effect of deception was predicted on reputation changes for celebrity firms. Similarly, in *Table 5.13*, Models 24 and 25 test for the relationships between discrimination and job losses on reputational change for each sub-sample; and show no significant relationships, thus confirming Hypothesis 5.7b but not 5.7a. With these results in mind, it may be interpreted that whilst non-celebrity firms

may be at a distinct advantage in light of irresponsibility compared to celebrity firms, the scale and scope of the event may determine the potential significance of reputational change for celebrity firms. Overall, these results do seem to indicate that celebrity firms are distinctly more vulnerable to reputational penalties in light of irresponsibility compared to non-celebrities.

Similar to the previous analysis, Models 26 to 32 test the attribution theoretic framework offered by Lange and Washburn (2012) concerning the condition of EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY. Hypothesis 5.8a, 5.9a and 5.10a predicted a negative and significant relationship between events exhibiting effect undesirability/perceived culpability/ affected party non-complicity and reputation change for firms in the top quartile i.e. celebrities. In turn, Hypothesis 5.8b, 5.9b and 5.10b predicted no significant relationship between undesirability/ perceived culpability/ affected party non-complicity and changes in reputation for firms in the second, third and fourth quartiles i.e. non-celebrities. As illustrated in *Table 5.14*, the only significant main effect is related to the negative relationships between culpability and changes in reputation for celebrity firms ($\beta = -0.16$, $p < 0.01$) (Model 27) meaning that firms which are more visible are also more susceptible to suffering reputational damage when they are seen as culpable for an event of irresponsibility. The logic being such findings is that, being both highly 'visible' and being perceived as the only potential culprit, focuses greater aggregate criticality toward the focal firm. Thus, Hypothesis 5.8b is supported, whilst Hypothesis 5.8a is only partly supported for the culpability variable. This may imply that culpability is a stronger predictor of reputational damages in light of irresponsibility.

Finally, Models 28 to 32 test for the presence of various combinations of these event characteristics on corporate reputation subsamples (see *Tables 5.15 and 5.16*). Overall, no significant effects were found to attest that the presence of either two event characteristics (i.e. effect undesirability, culpability and affected party non-complicity) influences changes in corporate reputation for none of the celebrity sub-samples. Thus, Hypotheses 5.9a was unsupported whereas Hypothesis 5.9b was supported. Similarly, as illustrated in Model 32, *Table 5.16* - when the effect of the combined presence of the three event characteristics is tested – no significant results were found here either; these results show no support for Hypothesis 5.10a, yet, support the predictions of Hypothesis 5.10b.

Table 5.9: Results of the linear regression for base Model 17: Celebrity sub-sample^{a,b,c}

Variables	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.77*	2.51***	2.29***	1.38**
LAGS (REP T,1)	0.58***	0.65***	0.68***	0.72***
FIRM SIZE	0.01	-0.07	-0.05	0.03
RDASS	-0.01	-0.01	-0.01	-0.02
LEVERAGE	-0.01***	-0.00	-0.01	-0.00
ROA	0.01*	0.00	0.01*	0.01
SOC_SCORE ^c	-0.00	-0.00	0.00	-0.01**
ENV_SCORE ^c	0.00	0.00	0.00	0.00
CVG_SCORE ^c	-0.00	-0.00	-0.00	0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.52	0.52	0.45	0.49
<i>F</i>	11.396	9.743	9.472	18.818
<i>R square</i>	0.71	0.64	0.61	0.71
<i>Adjusted R square</i>	0.64	0.58	0.55	0.67
<i>N</i>	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.10: Results of the linear regression for Models 18 and 19: Celebrity sub-sample^{a,b,c}

Independent variables	Model 18				Model 19			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
Constant	1.23**	1.64**	2.30***	2.44**	1.17**	1.79**	2.83**	2.45**
ANY_EVENT	-0.12*	0.01	0.10	-0.02				
EVENT 1_Management compensation					0.00	-0.04	0.13	0.16
EVENT 2_Shareholder rights					-0.05	0.08	-0.31†	0.15
EVENT 3_Earnings					0.21	-	-0.85	-2.11**
EVENT 4_Insider Trading					-0.09	-0.35	1.06†	-
EVENT 5_Accounting					-0.45***	0.11	-0.30	-0.56†
EVENT 6_Customer/Consumer					-0.03	-0.09†	-0.4	0.21
EVENT 7_Product & Service Quality					0.09†	0.23	0.24	-0.19
EVENT 8_Spills and pollution					-0.03	0.01	-0.19	-0.17
EVENT 9_Product recalls					-0.03	0.07	0.01	-0.15
EVENT 10_Intellectual property					0.02	-0.07	0.01	-0.13
EVENT 11_Public Health					0.09	-0.19	-0.20	-
EVENT 12_Taxation					-0.07	-0.13	0.71†	-
EVENT 13_Anti-corruption					-0.02	-0.03	0.47†	0.03
EVENT 14_Human rights					0.00	0.10	0.90	-
EVENT 15_Child Labour					0.44†	0.93	-	-
EVENT 16_Freedom of association					0.45	-	0.19	0.57
EVENT 17_Diversity and opportunity					0.06	0.05	0.04	-0.03
EVENT 18_Wages and working conditions					-0.01	0.01	-0.01	-0.14
EVENT 19_Employee health and safety					0.00	0.12	-0.07	-0.08
EVENT 20_Ethics					-0.07†	-0.10	0.28	-0.14
LAGS (REP T,1)	0.72***	0.74***	0.56***	0.51***	0.69***	0.71***	0.51***	0.51***
FIRM SIZE	0.03	-0.03	-0.09	0.02	0.05	-0.03	-0.06	0.04
RDASS	-0.02†	0.01	-0.01	-0.01	-0.02*	0.01	-0.01	-0.01
LEVERAGE	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01*	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*	0.01**	0.01†	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00	-0.00**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.48	0.48	0.52	0.50	0.47	0.48	0.52	0.50
F	21.854	11.888	7.932	9.095	15.889	8.970	6.128	7.276
R square	0.67	0.67	0.70	0.73	0.70	0.69	0.73	0.75
Adjusted R square	0.64	0.61	0.60	0.65	0.65	0.61	0.61	0.65
N	336	243	243	214	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.11: Results of the linear regression for Models 20 and 21: Celebrity sub-sample^{a,b,c}

Independent variables	Model 20				Model 21			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.20**	1.50**	2.97**	2.33**	1.31**	1.61**	2.97**	2.41**
HARM 1 - Financial	-0.00	-0.03	0.03	0.00				
HARM 2 - Physical	-0.02	0.07	0.08	-0.08				
HARM 3 – Emotional	-0.01	-0.03	-0.53*	0.23				
HARM 4 – Civil Liberties	-0.05†	-0.11	-0.02	-0.12				
HARM 5 - Environmental	0.01	-0.02	-0.05	-0.24				
INJURIES					-0.05	0.09	0.00	-0.05
LAGS (REP T,1)	0.72***	0.73***	0.57***	0.51***	0.72***	0.74***	0.56***	0.51***
FIRM SIZE	0.03	-0.01	-0.10	0.03	0.02	-0.03	-0.08	0.02
RDASS	-0.02†	0.01	-0.01	-0.01	-0.02†	0.01	-0.01	-0.01
LEVERAGE	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00	-0.01**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.48	0.48	0.52	0.51	0.48	0.48	0.52	0.50
<i>F</i>	19.516	10.903	7.303	8.252	21.603	11.938	7.985	9.096
<i>R square</i>	0.68	0.68	0.70	0.73	0.67	0.67	0.70	0.73
<i>Adjusted R square</i>	0.64	0.61	0.61	0.64	0.64	0.62	0.60	0.65
<i>N</i>	336	243	243	214	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.12: Results of the linear regression for Models 22 and 23: Celebrity sub-sample^{a,b,c}

Independent variables	Model 22				Model 23			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.26**	1.64**	2.97**	2.69***	1.26**	1.53**	2.92**	2.40**
FATALITIES	-0.12†	-0.08	-0.01	-0.18				
DECEPTION					-0.07	-0.10	0.14	-0.12
LAGS (REP T,1)	0.72***	0.74***	0.56***	0.51***	0.72***	0.73***	0.56***	0.51***
FIRM SIZE	0.03	-0.03	-0.08	0.02	0.03	-0.01	-0.09	0.01
RDASS	-0.02†	0.01	-0.01	-0.01	-0.02*	0.01	-0.01	-0.01
LEVERAGE	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00	-0.01**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.48	0.48	0.52	0.50	0.48	0.48	0.52	0.50
<i>F</i>	21.778	11.912	7.851	9.122	21.687	12.031	7.969	9.169
<i>R square</i>	0.67	0.67	0.70	0.73	0.67	0.67	0.70	0.73
<i>Adjusted R square</i>	0.64	0.61	0.60	0.65	0.64	0.62	0.61	0.65
<i>N</i>	336	243	243	214	336	243	243	214

Table 5.13: Results of the linear regression for Models 24 and 25: Celebrity sub-sample^{a,b,c}

Independent variables	Model 24				Model 25			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.76*	2.51***	2.30***	1.35**	1.32**	1.61**	2.96**	2.40**
DISCRIMINATION	-0.02	-0.09	0.01	-0.09				
JOB LOSSES					-0.04	-0.11	-0.09	-0.06
LAGS (REP T,1)	0.58***	0.65***	0.68***	0.72***	0.72***	0.73***	0.56***	0.51***
FIRM SIZE	0.02	-0.07	-0.05	0.04	0.02	-0.02	-0.07	0.02
RDASS	-0.01	-0.01	-0.01	-0.02	-0.02†	0.01	-0.01	-0.01
LEVERAGE	-0.01***	-0.00	-0.01	-0.00	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01*	0.00	0.01*	0.01	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.00	0.00	0.00	-0.01**	-0.01**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	-0.00	-0.00	-0.00	0.00	0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.52	0.53	0.45	0.45	0.48	0.48	0.52	0.50
<i>F</i>	11.142	9.546	9.238	18.393	21.591	11.941	7.871	9.099
<i>R square</i>	0.71	0.64	0.61	0.71	0.67	0.67	0.69	0.73
<i>Adjusted R square</i>	0.64	0.58	0.54	0.67	0.64	0.62	0.60	0.65
<i>N</i>	336	243	243	214	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.14: Results of the linear regression for Models 26, 27 and 28: Celebrity sub-sample^{a,b,c}

Independent variables	Model 26				Model 27				Model 28			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.46***	1.64**	2.98***	2.29**	1.37***	1.64**	2.99***	2.43**	1.49***	1.45*	2.89**	2.44**
EFFECT_UNDESIRABILITY ^c	0.00	0.00	-0.00	0.00								
CULPABILITY					-0.16**	-0.03	0.09	-0.08				
NON-COMPLICITY									0.05	0.12	-0.18	-0.01
LAGS (REP T,1)	0.72***	0.74***	0.56***	0.51***	0.72***	0.74***	0.56***	0.51***	0.72***	0.74***	0.55***	0.51***
FIRM SIZE	0.02	-0.03	-0.08	0.03	0.03	-0.03	-0.09	0.02	0.01	-0.04	-0.06	0.02
RDASS	-0.02†	0.01	-0.01	-0.01	-0.02†	0.01	-0.01	-0.01	-0.02*	0.00	-0.01	-0.01
LEVERAGE	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00	-0.01**	0.00	0.00	0.00	-0.00**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.48	0.48	0.52	0.50	0.47	0.48	0.52	0.50	0.48	0.48	0.52	0.50
<i>F</i>	21.557	11.888	7.878	9.136	22.196	11.904	7.909	9.134	21.618	12.004	7.967	9.091
<i>R square</i>	0.67	0.67	0.69	0.73	0.68	0.67	0.70	0.73	0.67	0.67	0.69	0.72
<i>Adjusted R square</i>	0.64	0.61	0.60	0.65	0.65	0.61	0.61	0.65	0.64	0.62	0.61	0.65
<i>N</i>	336	243	243	214	336	243	243	214	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.15: Results of the linear regression for Models 29, 30 and 31: Celebrity sub-sample^{a,b,c}

Independent variables	Model 29				Model 30				Model 31			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.43***	1.46**	2.93***	2.54**	1.44***	1.69**	2.72**	2.44**	1.45***	1.71**	2.90**	2.24**
EFFECT_UNDESIRABILITY ^c	-0.00	0.00	-0.00	0.00†	-0.00	0.00	-0.00	0.00	0.00	0.00	-0.00	0.00
CULPABILITY	-0.21***	-0.06	0.16†	-0.06	-0.19***	-0.07	0.16†	-0.14	-0.20***	-0.06	0.12	-0.14
NON-COMPLICITY	0.11*	0.15	-0.26†	0.01	0.09	0.17†	-0.26†	0.14	0.28	0.24	-0.64†	-0.33
EFFECT_UNDESIRABILITY AND CULPABILITY ^c	0.00	-0.00	0.00	-0.00								
EFFECT UNDESIRABILITY AND NON-COMPLICITY ^c					0.00	-0.00	0.00	-0.00				
CULPABILITY AND NON-COMPLICITY									-0.17	-0.10	0.44	0.43
LAGS (REP T,1)	0.73***	0.73***	0.55***	0.51***	0.73***	0.73***	0.56***	0.52***	0.73***	0.73***	0.55***	0.52***
FIRM SIZE	0.02	-0.03	-0.08	0.03	0.02	-0.03	-0.07	0.03	0.02	-0.03	-0.08	0.03
RDASS	-0.02*	0.01	-0.01	-0.02	-0.02*	0.01	-0.01	-0.01	-0.02*	0.01	-0.01	-0.01
LEVERAGE	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01†	-0.00	-0.01*	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00	-0.01**	0.00	0.00	0.00	-0.01**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00†	-0.00	0.00	-0.00	0.00†	-0.00	0.00	-0.00	0.00†	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.48	0.52	0.50	0.47	0.48	0.51	0.50	0.47	0.48	0.51	0.50
<i>F</i>	20.971	11.253	7.606	8.666	21.115	11.263	7.724	8.598	20.973	11.255	7.685	8.542
<i>R square</i>	0.68	0.67	0.70	0.73	0.68	0.67	0.70	0.73	0.68	0.67	0.70	0.73
<i>Adjusted R square</i>	0.65	0.61	0.61	0.65	0.65	0.61	0.61	0.64	0.65	0.61	0.61	0.64
<i>N</i>	336	243	243	214	336	243	243	214	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 5.16: Results of the linear regression for Model 32: Celebrity sub-sample^{a,b,c}

Independent variables	Model 32			
	Celebrities	Above average celebrity	Below average celebrity	Non-celebrities
<i>Constant</i>	1.44***	1.69**	2.70**	2.25**
EFFECT_UNDESIRABILITY ^c	-0.00	0.00	-0.00	0.00
CULPABILITY	-0.19**	-0.07	0.16†	-0.11
NON-COMPLICITY	0.09	0.17†	-0.27*	0.08
EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY ^c	0.00	-0.00	0.00	-0.00
LAGS (REP T,1)	0.73***	0.73***	0.56***	0.51***
FIRM SIZE	0.02	-0.03	-0.06	0.03
RDASS	-0.02*	0.01	-0.01	-0.01
LEVERAGE	-0.00	-0.01†	-0.00	-0.01*
ROA	0.01**	0.01*	-0.00	0.01*
SOC_SCORE ^c	-0.01**	0.00	0.00	0.00
ENV_SCORE ^c	0.00	0.00	0.00	0.00
CVG_SCORE ^c	0.00†	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.48	0.51	0.51
<i>F</i>	21.125	1.263	7.745	8.540
<i>R square</i>	0.68	0.67	0.70	0.73
<i>Adjusted R square</i>	0.65	0.61	0.61	0.64
<i>N</i>	336	243	243	214

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

5.8. Discussion

This chapter empirically explored (1) broadly, which perceived organisational characteristics influence the relationship between irresponsibility and changes in corporate reputation? And in what incidences, do these characteristics play a role? (2) Does the organisation's social responsibility perceptions shape the relationship between irresponsibility and reputation? And in which circumstances does it do so? (3) Does the organisation's degree of celebrity status influence the relationship between irresponsibility and corporate reputation changes? And in which contexts does this seem to be most apparent? Indeed, both variations in organisational reputation for social responsibility and celebrity status appeared to drive differences in downstream reputation penalties following revelations of irresponsibility. The results showed that prior stakeholder perceptions regarding social responsibility and celebrity status appear to shape attributions of irresponsibility in different settings.

In the broadest sense, my results again suggest that reputation updating is only a relatively modest phenomenon. Moreover, a general association with irresponsibility in the media was

not associated with significant reputation penalties, irrespective of the firm's perceived social performance. In other words, the simple association with irresponsibility tends not to be related to any significant alterations in reputation from the most socially responsible firms to the least responsible firms. However, celebrities were found to be more broadly vulnerable to reputational decline following associations with irresponsibility, thus contradicting the notion that celebrity firms are shielded from reputational harm following irresponsibility (Pfarrer, Pollock and Rindova, 2010). In turn, this was not the case for firms with non-celebrity status, providing some preliminary evidence to suggest that celebrity status may, indeed, be a 'double-edged sword' (Brooks et al, 2003) in that, whilst being able to garner increased stakeholder attention can be a distinctly desirable capability when engaging in positive business activities, the firm may also attract greater scrutiny when it is associated with undesirable behaviour. That being said, my analysis then systematically explored the constituent's characteristics of corporate irresponsibility to reveal a very different picture.

The second part of the analysis specifically assessed whether there were broad categories of irresponsibility that firms with differing social responsibility perceptions and celebrity status were specifically vulnerable toward. Here, the findings suggest that, in line with previous works on the halo effect (Ducassy, 2013; Janney and Gove, 2011; Jones, Jones and Little, 2000; Minor and Morgan, 2011; Sanchez, Sotorrio and Diez, 2012; Vanhamme and Grobben, 2009), the most socially responsible organisations were not associated with significant reputation penalties following revelations of irresponsibility. In fact, findings suggest that, in some cases, the firm's reputation may become enhanced. More specifically, I found that the most socially responsible firms were associated with enhanced reputation scores following child labor incidents. Whilst this result seemed initially counterintuitive, a common argument within the communications and crisis management literature is that irresponsibility may enhance reputations for certain firms, if and when the incident is effectively managed. Hence, a negative event may be viewed as an opportunity to demonstrate to stakeholders about the firm's commitment to their social responsibilities (Kash and Darling, 1998; Mitroff, 1994; Ulmer, Sellnow and Seeger, 2013). In this study, results also suggested that firms with the lowest social responsibility reputations were also not associated with significant reputation penalties following irresponsibility. This may indicate that bad behaviour, in line with the expectations violations theory (Burgoon, 1978; Rhee and Haunschild, 2006), is largely expected by social assessors and thus, not severely penalised. One notable exception was that of public health events, in that this classification of irresponsibility was associated with enhancements to corporate reputations. This may be indicative of the fact that some stakeholder groups tend to also consider the financial benefits associated with certain types of irresponsibility. Public health issues such as those that follow increased consumption of certain products such as alcohol, tobacco and medications may signal growing demand for products rather than corporate negligence.

Finally, my broad contention within this chapter was that firms considered to have above and below average social responsibility perceptions may be distinctly vulnerable in light of irresponsibility. This study argued that stakeholders may neither expect these firms to perform very well nor very poorly in terms of social responsiveness. Consequently, firms possessing above and below average social responsibility perceptions may be neither protected via positive associations, nor do they benefit from such negative associations that bad behaviour is broadly to be expected. Whilst firms that were below average in social responsibility scores were, indeed, vulnerable to events such as consumer controversies, these firms may also gain reputational benefits from acts of irresponsibility, such as product and service quality as well as child labor controversies. This may be due to the firm's positive management of events or perhaps because assessors may factor in the potential financial benefits that are often associated with specific stakeholder wrongdoing. Enhanced perceptions of corporate reputation following irresponsibility was a largely unexpected result, but after reviewing the literature, it seems reasonable to suggest that firms may take advantage of certain social, economic and environmental problems to demonstrate to their publics that the firm is committed to its responsibilities (Kash and Darling, 1998; Mitroff, 1994; Ulmer, Sellnow and Seeger, 2013). In this context, a firm's remedial actions may, in fact, enhance stakeholders' perceptions in light of irresponsibility.

That being said, irresponsibility had a very different effect on the reputations of firms depending on their level of celebrity status. Results suggest that celebrity firms were more vulnerable to events pertaining to accounting controversies, whereas those firms with above and below average celebrity status did not show particularly significant reputation penalties following broad classifications of wrongdoing. I argued that generally, non-celebrity firms were at a distinct advantage when compared to celebrities. Whilst celebrity status may help the firm garner increased stakeholder attention towards its positive business activities, it may also work against the firm's best interests when the organisation is associated with irresponsibility. The idea that non-celebrity firms are generally 'under the radar' of stakeholders' attention was generally supported, as fewer incidents of irresponsibility were reported in the media for firms with the lowest celebrity status. Whilst this evidence only tangentially informs this point, it may be considered somewhat indicative that less attention is paid to non-celebrity firms. That said, non-celebrity firms were not shielded from reputation penalties concerning earnings restatements, suggesting that financial matters may largely supersede those of a social nature. Incidents of a more relevant financial nature, such as earnings restatements, may then become more widely known to assessors such as shareholders, managers and market analysts (these groups being the stakeholders surveyed by the WMAC data utilised in this study).

This study also considered the effects of broad types of moral harm as well as general outcomes of irresponsibility in order to assess their relevance from an attribution perspective. My general position through the lens of attribution theory was that outcomes of

irresponsibility such as financial, physical, and emotional harms as well as incidents displaying characteristics like deception, discrimination and job losses would not be relevant predictors of downstream reputation damage. These categories are somewhat removed from more significant features of irresponsibility that assessors may find more indicative of wrongdoing, such as whether the firm was likely culpable or just associated with the event; whether the event was considered personally threatening or morally undesirable; or whether the event harmed vulnerable parties such as the elderly or the disabled (Lange and Washburn, 2012). Results broadly suggest this to be the case with a few noteworthy exceptions, i.e. celebrity firms were associated with reputation penalties following civil liberties harms. There may be some merit to the idea that firms which become involved in more current or 'topical' types of irresponsibility may be more susceptible to reputational decline, particularly when the firm is already a more prominent organisation, as is the case with celebrity firms. Similarly, irresponsibility associated with deception, discrimination and job losses was not associated with significant reputation penalties for the majority of firms. Again, from an attribution perspective, these categories of irresponsibility may be considered too broad in their potential scope as they generally bundle a variety of events with varying severity and relevance to reputational assessors. That being said, firms categorised as having the least socially responsible perceptions suffered some significant reputation penalties following job losses. Here, it has been noted that job losses may be viewed as either part of the firm's cost saving activities, designed to promote better profitability or job losses could be viewed as signaling potential future losses as well as negative growth (Porritt, 2005). Consequently, results suggest that firms with the lowest social responsibility perceptions may be distinctly more vulnerable to reputation penalties following job losses because assessors may consider their motive to be indicative of poor future performance.

The third part of my empirical exploration of the impact of social responsibility perceptions and celebrity status, was to unpack these potential contingent firm characteristics in relation to the attribution framework offered by Lange and Washburn (2012). My results for social responsibility were somewhat mixed. Independent testing of effect undesirability, perceived culpability and affected party non-complicity did not reveal any significant relationships for firms with above, below and low social responsibility associations. However, the most socially responsible firms were found to have reputationally benefited from being associated with harming non-complicit parties such as the young, the elderly, the disabled and so on. Again, this could be due to the potential opportunities these irresponsibilities may create, in that firms found to positively manage certain events may actually enhance their reputations in light of demonstrating increased commitment to their social responsibilities through their remedial actions. When the facets of irresponsibility outlined by Lange and Washburn (2012) were combined, the results were also somewhat mixed. In particular, firms with above average social responsibility perceptions were associated with reputational enhancements after revelations of irresponsibility with substantial effect undesirability and affected party non-complicity and when testing for all three irresponsibility characteristics outlined by Lange

and Washburn (2012). Again, from a crisis management perspective, such results may be attributed to the appropriate management of events (Kash and Darling, 1998; Mitroff, 1994; Ulmer, Sellnow and Seeger, 2013). Furthermore, social responsibility perceptions may not be the only characteristic of the firm assessors draw upon to attribute irresponsibility.

In this study, results suggest that broadly, celebrity firms are distinctly vulnerable to certain facets of irresponsibility outlined by Lange and Washburn (2012). Specifically, incidents where there were few alternative causal agents present – meaning, other culpable parties were not mentioned in the media – were significantly damaging for celebrity firms. In turn, non-celebrity firms were not affected by being associated with events with high culpability. This suggests that irresponsibility may be particularly problematic for firms that are able to generate increased stakeholder attention, going against ‘market-based’ research that suggests the opposite to be the case (Pfarrer, Pollock and Rindova, 2010). Instead, this study’s findings appear to support the idea that high celebrity status may be a disadvantage when firms are associated with acts of irresponsibility. Finally, when the irresponsibility characteristics effect undesirability, perceived culpability and affected party non-complicity were tested in various combinations, perhaps surprisingly, these combinations did not result in significant reputational effects as previously purported by Lange and Washburn (2012).

Whilst the analysis illuminated how differences in stakeholder perceptions of the firm may shape their attributions in light of irresponsibility, events do not exist in isolation, meaning that irresponsibility - in a similar sense to how stakeholder perceptions of firm characteristics are built over time – may be remembered by stakeholders and thus, may be part of an unfolding sequence of events. The ability of stakeholders to bring to bear their memories of firm behaviour and characteristics may, over time, build to broader perceptions of firm reputation. Irresponsibility events can be perceived as ‘one off’, isolated incidents, not indicative of firm character and capabilities, or part of a broader pattern of irresponsibility. Therefore, the frequency of irresponsibility may be critical in stakeholders’ interpretations of events. Similarly, a firm’s social responsibilities may only form part of the firm’s overall, aggregate reputation amongst the broader stakeholder pool. An equally important reputational component has been missing from the analysis, namely the organisation’s financial performance. This next empirical chapter explores whether firms vary in their propensity for corporate irresponsibility and if so, how specifically differences in financial performance affect the relationship between irresponsibility attributions and reputation penalties.

CHAPTER 6 – EXPLORING THE CONTINGENCIES OF HISTORY OF CORPORATE IRRESPONSIBILITY AND FINANCIAL PERFORMANCE

6.1. Introduction

In the previous chapter I empirically explored the contingencies of reputations for corporate social responsibility and celebrity status on the relationship between irresponsibility and changes in corporate reputation. In this chapter, I explore the effects of two very different perceptions of the firm; 'history of irresponsibility' - often referred to in the crisis management literature as 'crisis history' (Coombs, 2006; Coombs and Holladay, 2001; 2002) and 'financial performance', using a sample of US firms for an 8-year period between 2004 and 2012. More precisely, in this chapter I subsampled firms based on their organisational qualities relative to other firms within the specified sample in order to separately test for the effects of irresponsibility on reputations. The subsequent longitudinal research offered in this chapter seeks to explore the following questions, namely; (1) which perceived organisational characteristics influence the relationship between irresponsibility and corporate reputation changes? And in what incidences do these characteristics play a role? (2) Does the organisation's history of irresponsibility influence the relationship between irresponsibility and changes in reputation? And in which contexts does this seem to be most apparent? (3) Does financial performance shape the relationship between irresponsibility and reputation changes? And in which circumstances? With this in mind, the aims of this chapter are:

- To examine whether reputation penalties in light of irresponsibility are contingent on prior stakeholder beliefs regarding the firm and its perceived attributes.
- To explore whether the firm's history of irresponsibility influences the relationship between corporate irresponsibility and changes in reputation.
- To assess whether the firm's financial performance influences the relationship between irresponsibility and changes in corporate reputation.

Again, in this empirical chapter I explore the possible contingencies within the relationship between irresponsibility and changes in reputation. This time, the motivating theoretical logic for doing so stems from the idea that assessors may observe multiple behaviours over time in order to construct more accurate causal inferences (Weiner, 1985). What is more, stakeholders may bring to bear their past experiences and observations in order to assess news of current events (Kelley, 1967). In this way, irresponsibility may not exist in a vacuum but rather, it may be part of a wider story of corporate behaviour. Therefore, in this chapter I bring into analytical focus how stakeholder perceptions of the firm's history of irresponsibility, otherwise referred to in the crisis management literature as 'crisis history' (Coombs, 2007) and the firm's relative financial performance, may influence assessor interpretations of corporate irresponsibility and subsequent reputation assessments.

6.2. Exploring the Contingency of History of Irresponsibility

An attribution-based rationale for exploring the firm's 'history of irresponsibility' is that assessors may, through multiple observations, build a sense of an actor's character or capabilities (Kelley, 1967; Mishina, Block and Mannor, 2012). I further extend this logic by suggesting that firms with an increased association with irresponsibility may eventually amass a significant corpus of negative associations in the memories of organisational assessors. Over time, this accumulation of negative associations may 'tip' stakeholder assessments out of the organisation's favor, and subsequently leave the firm more vulnerable to downward revisions in reputation in light of irresponsibility. Whereas this concept has yet to be explored empirically, the crisis management literature has suggested similar attribution theoretic ideas. A notable study by Coombs (2007) highlighted that the firm's 'crisis history' may be a potential determinant of reputational damage in light of corporate irresponsibility, specifically because some firms may be associated with a history of stakeholder wrongdoing. In his 2007 Corporate Reputation Review article titled; *'Protecting Organisation Reputations During a Crisis: The Development and Application of Situational Crisis Communication Theory'*, Coombs cites the earlier work of the social psychologists Kelley and Michela (1980) to articulate that "[a]ccording to Attribution Theory, a history of crises suggests an organisation has an ongoing problem that needs to be addressed". The propensity of the firm to be embroiled in social, economic or environmental harm may be remembered by organisational assessors and brought to bear during the interpretation of new events. In so doing, some incidents may be perceived as either isolated 'one-offs' or part of a potential pattern of corporate negligence. Therefore, this study additionally explores the firm's history of irresponsibility as it relates to new revelations of wrongdoing and reputation penalties by assessing the company's past history of offences and association with irresponsibility. By doing so, this study unpacks how assessors make more nuanced social judgements and impressions over time by situating irresponsibility in a more 'natural' setting, one that includes contextual knowledge surrounding organisational histories and stakeholder memories of corporate irresponsibility. *Figure 6.1* highlights the relevant concepts and line of research enquiry investigated in this first section of *Chapter 6*.

6.2.1. The Influence of the Firm's History of Irresponsibility in the Context of Observed Irresponsibility

Subsequent reputational decline following a broad association with irresponsibility, as previously argued in this study, is a fairly simplistic idea from a broader attribution perspective. Nevertheless, one position held within attribution theory is that individuals own an inherent negativity bias, in that negative information is more readily perceived than positive information (Ito et al., 1998; Rozin and Royzman, 2001; Skowronski and Carlston, 1989; Vaish, Grossmann and Woodward, 2008). If this is the case, I argued, this may

provide one explanation for why research from the finance and economics perspective suggests that irresponsibility is frequently associated with significant reputation penalties (Alexander, 1999; Engelen and van Essen, 2012; Karpoff and Lott, 1993; Karpoff Lott and Wehrly, 2005).

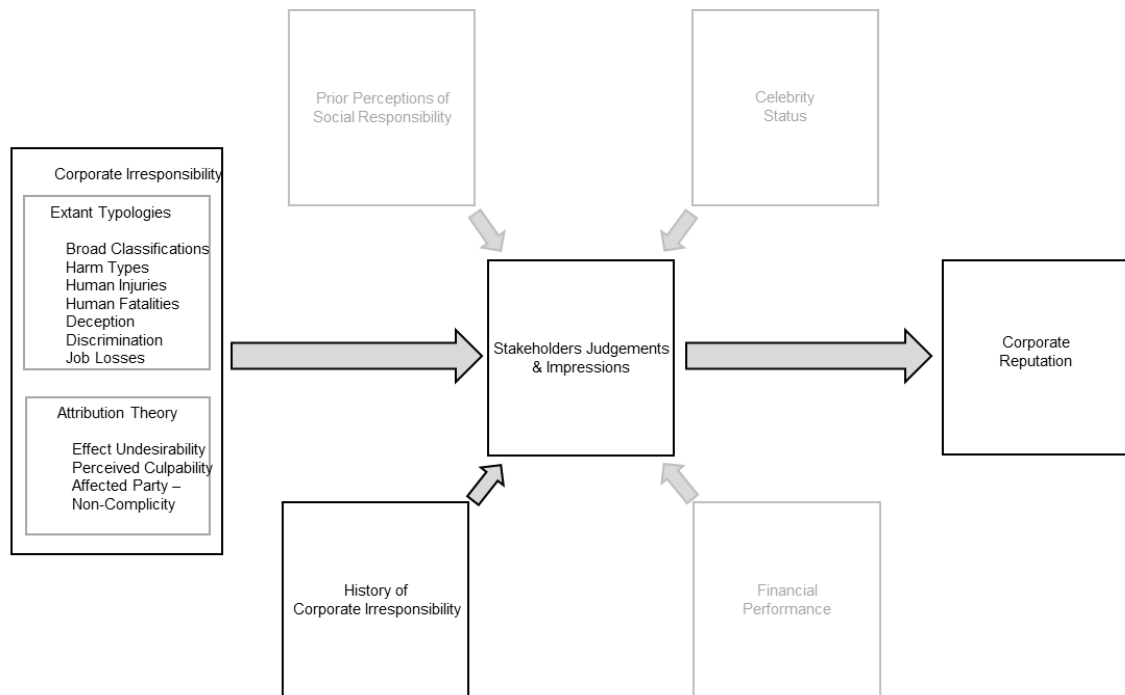


Figure 6.1: Conceptual overview of the contingent effect of prior crisis history on the relationship between corporate irresponsibility and changes in corporate reputation

Whilst my previous empirical analysis did not find support for this position, the frequency of association with irresponsibility may play a role in determining stakeholder interpretations of events, including ‘causal attributions’ of whether the firm is perceived to have caused a negative outcome (Heider, 1958; Jones and Nisbet, 1972; Kelley and Michela 1980). Because irresponsibility is a broad category that encompasses a variety of different types of events, with different outcomes, and subsequently, different perceptions of severity associated with them, the overall capacity for observations of irresponsibility to undermine reputation may be somewhat diminished. That being said, over time, reputational assessors may view the repeated association with irresponsibility as indicative of issues that need to be addressed or more fundamental corruptions within the corporate character.

Therefore, this study proposes that firms with an increased history of irresponsibility may be at risk of reputational decline. Regardless of stakeholder perceptions of the event, firms with an increased propensity to be associated with irresponsibility may run the risk of being perceived as either incompetent in certain areas of their business or it may reveal more

sinister aspects concerning the firm's character (Mishina, Block and Mannor, 2012). For organisations considered by organisational assessors to be increasingly 'prone' to negative outcomes, the simple association with multiple observations of irresponsibility may be enough to significantly alter overall stakeholder perceptions of the firm. In turn, for organisations with fewer instances of irresponsibility, new revelations of corporate irresponsibility may be considered 'untypical' of the firm and thus may decrease the potential likelihood that reputational assessments will be downwardly revised. With these points in mind, I hypothesise that:

H6.1a: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).

H6.1b: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).

6.2.2. The Influence of the Firm's History of Irresponsibility on Perceptions of Broad Categories of Irresponsibility

From an attribution perspective akin to that proposed by Lange and Washburn (2012), the relationship between broad categories of irresponsibility and reputation may be considered fundamentally too general because typical categories of irresponsibility do not adequately capture the nuances that social evaluators may find indicative, such as whether the firm is likely culpable or whether the parties harmed were non-complicit (Lange and Washburn, 2012). Subsequently, broad categorisations are limited because they seemingly bundle discreet events with varying propensity to cause harm and which range in perceived severity, culpability and evoke varying degrees of sympathy for victims (Lange and Washburn, 2012).

That being said, in the previous empirical chapter of this study, results showed that some categories of irresponsibility may be more broadly impactful than others in certain contextual conditions. In relation to firm's history of irresponsibility, an increased propensity for stakeholder wrongdoing over time may increase the subsequent risk of reputational damages for frequent offending firms. Stakeholders may only give firms 'the benefit of the doubt' in certain incidences, particularly in ambiguous conditions and for single offences. In turn, repeat offences may indicate to reputational assessors that the firm's involvement with irresponsibility is more than simply circumstantial and may be considered part of an

increasing pattern of negative behaviour. In so doing, firms with more comprehensive histories of irresponsibility may be at substantially greater risk of reputation penalties in light of new revelations of irresponsibility. Conversely, firms associated with fewer incidences of irresponsibility captured by broad categories of irresponsibility and extant typologies such as harm types, human injuries, fatalities, deception, discrimination and job losses - may be less vulnerable to downwards stakeholder revisions in reputation. This rationale is based on the logic that, until irresponsibility is made apparent, stakeholders have few points of reference to determine the likelihood of the firm's culpability. For 'repeat offenders', organisational assessors may logically conclude fewer external possible causal agents because the repetition of firm offences decreases the likely common sense explanations otherwise attributed to chance or other causal agents (Weiner, 1985). In view of these points, I hypothesise that:

H6.2a: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).

H6.2b: There is no significant relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).

6.2.3. Unpacking the Effect of the Firm's History of Irresponsibility as it Relates to Attribution Theory

This study also explores organisations' history of irresponsibility as it relates to discreet attributions. Lange and Washburn (2012) suggest that irresponsibility is attributed when some degree of effect undesirability, perceived culpability and affected party non-complicity are present. By unpacking the relevance of the firm's history of irresponsibility, this study draws on other attribution-based theories which contend that assessments are not made in isolation and individuals draw on a variety of past experiences and observations in order to identify the most appropriate, 'common sense' explanations (Heider, 1958). This contingent perspective adds greater nuance to the social judgements and impressions process by situating irresponsibility in a more 'natural' setting which includes contextual knowledge of organisational history and assessors' memories of firm's previous behaviour. Consequently,

the addition of 'history of irresponsibility' broadens the scope of empirical assessment, moving beyond individual, case-specific assessments of irresponsibility. This rationale is in line with the seminal work of the social psychologist Kelley (1967), who noted that individuals tend to draw upon past knowledge and experiences to assist the process of concluding common sense explanations regarding an event's causation. In the remainder of this first part of the chapter, I specifically explore the potential for the organisation's history of irresponsibility as it relates to effect undesirability, perceived culpability and affected party non-complicity. These characteristics of irresponsibility are tested individually, as well as in different combinations to test the explanatory power of Lange and Washburn's (2012) model. In doing so, this study explores how multiple observations of corporate irresponsibility over time may play a role in determining stakeholder assessments of incident severity, attributions of culpability and the impact of affected party non-complicity.

With this in mind, I theorise that, generally, organisations considered to be increasingly 'prone' to association with negative social, economic and/or environmental damage may potentially be met with greater criticality subsequent to a more eventful history of irresponsibility associations. Perceptions of an event's 'effect undesirability' may therefore also include assessors' feelings of discontent towards the organisation's general behaviour. Thus, rather than being 'event-specific', the undesirability of the event may also capture, to some extent, the general feelings regarding the undesirability of the organisation. Therefore, the increased presence of 'propensity for irresponsibility' may amplify the relationship between effect undesirability and reputation penalties because increasingly, assessors may sense that the organisation is either an incapable or generally irresponsible actor. Conversely, low propensity for irresponsibility may largely mitigate the impact of effect undesirability because observers may be more inclined to think that the event, though undesirable, has occurred in isolation and is, therefore, not part of a general pattern of negative behaviour.

The firm's propensity for irresponsibility may be considered a key influencing factor in determining assessors' common sense evaluations of causal attribution in light of irresponsibility. In particular, determining causation can be often ambiguous, as there may be multiple causal agents and possible externalities. Assessors may 'build' a sense of the firm's culpability for causing social, economic and/or environmental harm over time, through multiple observations (Weiner, 1985). Those firms with an increased propensity or involvement with irresponsibility may, over time, create broader and more pronounced stakeholder skepticism regarding their involvement with irresponsible outcomes. Extant reputation penalties literature suggests that generally firms may be given the benefit of the doubt, and good social behaviour tends to be rewarded by lessening the degree of reputational revision in light of irresponsibility (e.g., Ducassy, 2013; Jones, Jones and Little, 2000; Pfarrer, Pollock and Rindova, 2010; Sanchez, Sotorrio and Diez, 2012). That being said, most research on the 'halo-effect' (and other reputation penalties work more generally)

does not consider how multiple observations may accumulate in the memories of stakeholders, influencing their reputation assessments.

Firms associated with harming certain parties perceived to be non-complicit may too experience more significant reputation penalties as non-complicit parties tend to evoke greater sympathy from the broader stakeholder pool when harmed (Lange and Washburn, 2012). In the presence of increased propensity for irresponsibility, firms which have been typically associated with generating negative social, economic and or environmental harms, may be at increased risk of assessors forming negative perceptions regarding the potential culpability of the firm in relation to non-complicit parties (Shaver, 1985). Firms associated with fewer incidents of irresponsibility may be at a significantly lower risk in light of irresponsibility because their behaviour will most likely not be perceived as part of a pattern of irresponsible corporate behaviour. In view of these points, this study proposes that:

H6.3a: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).

H6.3b: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).

6.2.4. The Influence of History of Irresponsibility in Relation to Combinations of Effect Undesirability, Perceived Culpability and/or Affected Party Non-Complicity

This study also explores combinations of the irresponsibility characteristics suggested by Lange and Washburn (2012) in order to identify potentially important compounding effects associated with features of attribution of irresponsibility as outlined by the authors. The presence of multiple irresponsibility characteristics may enhance their explanatory power with respect to reputation penalties following revelations of irresponsibility. 'Effect undesirability' and 'perceived culpability' together may be critical in describing the level of moral discontent towards a firm's actions, and the perception of whether external factors outside the firm's control are to blame. In so doing, the combined presence of effect undesirability and perceived culpability suggests that the actions associated with the firm are more likely to elicit a strong emotional response from observers and that assessors are more

inclined to blame the focal organisation for causing the negative outcome. Similarly, events with both markedly undesirable outcomes and which harm stakeholders perceived to be non-complicit in those outcomes, may increase the reputational risks associated with irresponsibility. Further, a comparable logic may be applied to incidents where culpability attributions are directed towards a focal firm and non-complicit parties are implicated to have been harmed, in that significant reputational risks may be associated with such attribution characteristics when the firm has an increased propensity for irresponsibility. In turn, the presence of perceived culpability and affected party non-complicity may be more relevant for organisations with an increased propensity for irresponsibility because, again, assessors may consider the irresponsibility as part of a pattern of bad behaviour, rather than a 'one-off', isolated incident. Conversely, firms with a lesser propensity for irresponsibility may not be at high risk of subsequent reputation penalties following incidents where the focal firm is perceived to be culpable and the affected party is non-complicit. In view of these points, I hypothesise that:

H6.4a: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).

H6.4b: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).

6.2.5. The Influence of the Firm's History of Irresponsibility in Relation to Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

As articulated by Lange and Washburn (2012: 307), the combined presence of all three irresponsibility attributions, namely 'effect undesirability', 'perceived culpability' and 'affected party non-complicity' may be required 'to some degree' to elicit attributions of irresponsibility. The logical extension of which is that, significant indications of the presence of all three characteristics may have the most significant attributions of irresponsibility associated with them. From the contingent perspective of the firm's history of irresponsibility, this study argues that firms with the most populous history of corporate irresponsibility run significant reputational risks because a history of stakeholder observations of bad behaviour may, over time, accrue in stakeholders' memories and be recalled when assessing future events

(Heider (1958). The greater the accumulation of negative attributes in the minds of organisational assessors regarding firm behaviour, the more likely new incidents of irresponsibility are to motivate assessors to alter their reputational assessments. Firms with lesser histories of corporate irresponsibility are subsequently less vulnerable to reputational revisions in light of new revelations of socially undesirable behaviour. In view of these points, I hypothesise that:

H6.5a: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).

H6.5b: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).

6.3. Exploring the Contingency of Financial Performance

In this final empirical exploration of reputation penalties, this study unpacks the contingent effect of financial performance. The rationale to explore the contingent effects of financial performance stems from both a theoretical and methodological motivation. In a fundamental sense, theories of attribution have suggested that corporate irresponsibility is path dependent (Mishina, Block and Mannor, 2012), in that corporate behaviour is interpreted on the basis of prior beliefs and knowledge. Another related attribution concept is that certain cues may be more salient to assessors than others because events may be perceived as either personally threatening or morally objectionable (Haidt and Bjorklund, 2008), a concept much similar to the 'lemons problem' outlined in economics (Emons, 1988). The converse to these ideas is that, when events do not correspond with prior knowledge and experiences, or are not perceived personally threatening/ morally objectionable, stakeholders may not attribute irresponsibility or revise their understanding in line with contradictory evidence. Here, I extend this logic to include the notion of the social contract between stakeholders. More specifically, I suggest that, in a similar sense mentioned earlier in this thesis regarding the protective properties of owning a positive reputation for social responsibility, firms which are good financial performers, may also largely offset reputation penalties associated with corporate irresponsibility. This may be particularly the case because, assessors themselves have a primarily financial relationship with the focal organisation.

Furthermore, a secondary yet related motivation for exploring the influence of financial performance stems from the work of Fryxell and Wang (1994) who found that Fortune's World's Most Admired Companies annual survey data (also employed in this current study) displays a distinct financial orientation. The understanding that WMAC data is somewhat financially oriented is generally acknowledged by the wider reputation literature (e.g., Brown and Perry, 1994; Deephouse, 2000; Roberts and Dowling, 2002) and is also discussed in the methodology section of this thesis in more depth (see *Chapter 3*, pages 64-65). Specifically, WMAC survey participants comprise of both market analysts and senior managers. Following the valid arguments put forward by scholars such as Fryxell and Wang (1994), who stated that WMAC data is "*limited to measuring the extent to which a firm is perceived as striving for financial goals*" (Fryxell and Wang, 1994: 1), this study also explores this aspect of reputation in greater depth. I contend that senior management and industry analysts may largely ignore or not factor-in corporate irresponsibility for firms with enhanced economic performance, because this specific firm attribute may be the most relevant dimension of corporate reputation to them. Further, organisations which are not considered to be performing appropriately in an economic capacity may be more susceptible to reputational decline when also associated with irresponsibilities such as lawsuits, compensation, clean-up costs and other remedial actions. These types of irresponsibilities may be considered a more significant relative cost for underperforming firms. In order to explore this idea further, this study models the relationship between irresponsibility and changes in corporate reputation by subsampling for financial performance. *Figure 6.2* highlights the relevant concepts and relationships investigated in this section.

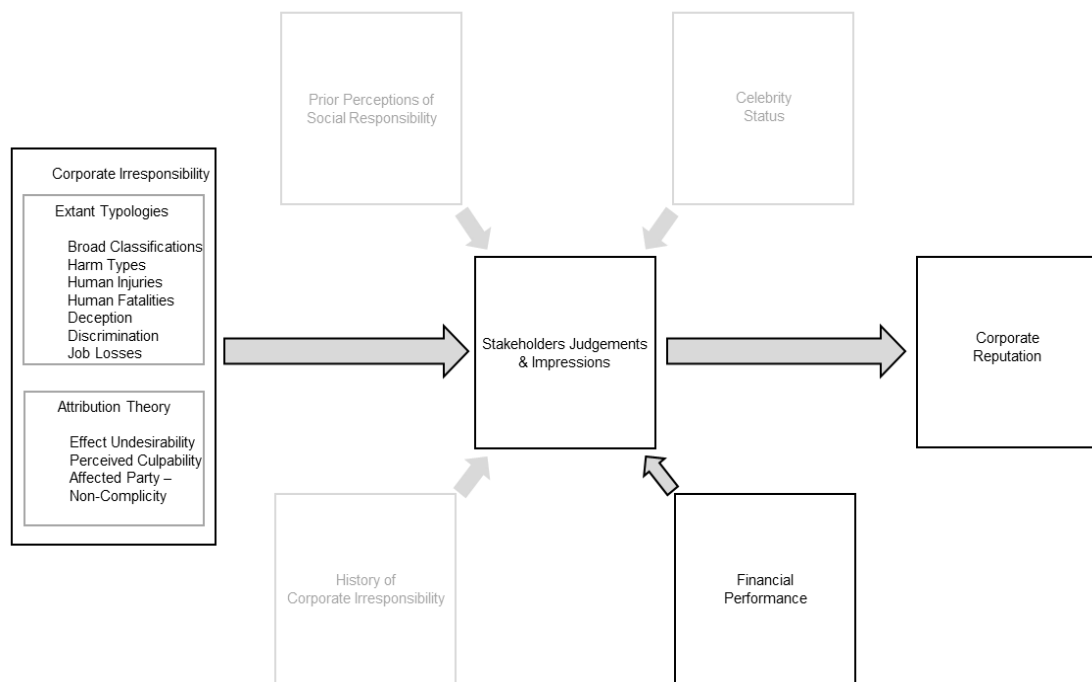


Figure 6.2: Conceptual overview of the contingent effect of financial performance on the relationship between corporate irresponsibility and changes in corporate reputation

6.3.1. The Influence of Financial Performance in the Context of Observed Irresponsibility

From an attribution perspective, strong financial performance may bolster stakeholders' overall impressions of firm reputation, particularly when the assessor group has a primarily economic relationship with the firm. Fundamentally, economic capabilities may be the single most relevant aspect of reputation for certain assessor groups, such as shareholders, market analysts, competitors and other peer organisations. This study makes the theoretical assumption that assessments of reputation following an observed act of irresponsibility are shaped by stakeholders' assessments of financial performance. The assessor groups employed here have a distinctly economic relationship with firms in the sample i.e. the occupations of market analysts are specifically oriented around the assessment of firms' financial capabilities, whilst managers may be motivated to maintain a keen sense of the competition and the broader market players' financial health over time because this knowledge may prove strategically beneficial to their own organisations (Hambrick, 1982).

With this in mind, this study theorises that, enhanced financial performance may shield the firm from negative assessor perceptions in light of corporate irresponsibility akin to suppositions advanced by the CSR perspective which suggests that generally, a positive

prior reputation may play a role in offsetting the risks associated with irresponsibility (e.g., Brammer and Pavelin, 2005; Ducassy, 2013; Godfrey, 2005; Janney and Gove, 2011; Minor and Morgan, 2011; Vanhamme and Grobbs, 2009). In terms of general observations of irresponsibility, this study suggests that firms with strong financial performance may offset the associated reputational risks, whereas worse financial performers may be in a significantly weaker position after revelations of irresponsibility because the firm may already be considered to be underperforming. Those performing neither distinctly well, nor poorly may be able to tolerate moderate reputational risks when compared to those with lesser financial performance because a proportion of the firm's reputation, that of financial performance, is somewhat more enhanced. The aggregate perceptions of those with enhanced financial performance may be able to withstand greater impacts in other domains where they are being assessed, such as impacts to perceptions of social responsibility. Moderate economic performers may neither be particularly penalised, nor able to shield themselves from the totality of the risks associated with stakeholder wrongdoing; because their reputations for financial performance are neither enhanced enough as to largely buffer from the effects associated with irresponsibility, nor (I theorise) are they insignificant. In view of these points, this study proposes that:

H6.6a: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).

H6.6b: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).

6.3.2. The Influence of Financial Performance on Perceptions of Broad Categories of Irresponsibility

The general idea that a firm's reputation may consist of multiple dimensions is not a novel one, particularly to the broader reputation, CSR and management literatures (Brammer and Pavelin, 2006; Deephouse and Carter, 2005; Devers, Mishina and Belsito, 2009; Love and Kraatz, 2009; Rhee, 2009; Rindova et al., 2005; Staw and Epstein, 2000). Attribution theory articulates that, over time, individual observations accrue in the minds of assessors to build a sense of an actor's future behaviour (Weiner, 1985). The market performance of the firm may be one such example out of many categories of potential observations which may subsequently indicate to the organisation's wider audiences that it is a competent actor (Mishina, Block and Mannor, 2012). Those organisations with greater economic capabilities,

I argue, in line with previous work on the composition of the reputation concept, may then aggregate along with various other facets of the firm's perceived character and capabilities to form part of assessors' overall perceptions of corporate reputation (Barnett, Jermier, and Lafferty, 2006; Fombrun and Rindova, 2000; Lange Lee and Dai, 2011; Scott and Walsham, 2005). This study proposes that corporate irresponsibility may therefore be largely offset by the firm's economic competencies.

In applying this theoretical approach to broad categories and extant typologies of irresponsibility, including harm types, human injuries, human fatalities, deception, discrimination and job losses, this study suggests that firms with relatively stronger financial performance will not be associated with significant reputation penalties, because enhanced economic performance tends to bolster stakeholder perceptions of the firm. The rationale here is that financial performance may be the most relevant aspect of the firm's activities. Organisations with the lowest relative financial performance may be distinctly vulnerable to assessor revisions in light of revelations of corporate irresponsibility, because irresponsibility may be considered an additional cost that the firm may be unable to adequately manage. Finally, firms with moderate economic performance may neither be distinctly vulnerable, nor immune to revelations of corporate irresponsibility. Although adequately performing organisations may be able to withstand the associated costs of irresponsibility, damage to other facets of reputation may impact their overall, aggregate reputation more so than for firms with enhanced financial performance. With these points in mind, I hypothesise that:

H6.7a: There is no significant relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).

H6.7b: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).

6.3.3. Unpacking the effect of Financial Performance as it relates to Attribution Theory

As stated previously, exploring how the firm's relative financial performance affects reputational assessments in light of irresponsibility may be highly relevant because an enhanced economic status may bolster stakeholders' overall impressions of the firm. Here, this study explores how the firm's relative financial status may impact assessments of

irresponsibility as viewed from an attribution perspective. More specifically, I unpack the possible contingent nature of financial performance as it relates to individual aspects of the attribution process, namely effect undesirability, perceived culpability and affected party non-complicity. My general position is that – as discussed previously – firms may largely offset the risks associated with irresponsibility when performing well from an economic standpoint.

6.3.4. The Influence of Financial Performance in Relation to Effect Undesirability, Perceived Culpability or Affected Party Non-Complicity

A primary component of Lange and Washburn's attribution theoretic framework is the idea that events which are perceived as personally threatening, or are in conflict with the values of the assessor, will generally be perceived to have greater effect undesirability (Lange and Washburn, 2012). The level of effect undesirability, or perceived severity of the event from the assessor's perspective, may, in certain instances, be largely offset by greater capacities in other areas, such as the ability to generate shareholder wealth. Firms that are not performing adequately in this sense may therefore not enjoy such a position, because events eliciting greater effect undesirability may be considered indicative of another area the firm is performing poorly in. Also, the incident may be seen as yet another cost to the firm, further decreasing its financial performance. Similarly, the remaining components of Lange and Washburn's (2012) attribution framework may also be significant predictors of reputational decline for certain organisations. Events that have few alternative causal agents or victimise stakeholder groups perceived to be non-complicit may be distinctly problematic for firms with low financial performance relative to their peers. In turn, organisations with more enhanced economic performance may have the associated risks of irresponsibility largely offset. Therefore, in light of these points, this study hypothesises that:

H6.8a: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).

H6.8b: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).

6.3.5. The Influence of History of Irresponsibility in Relation to Combinations of Effect Undesirability, Perceived Culpability and/or Affected Party Non-Complicity

This study considers combinations of the irresponsibility characteristics outlined by Lange and Washburn (2012) in order to explore whether there are salient combinations that together provide increased explanatory power. My general theoretical contention is that firms with increased financial performance will be largely shielded from reputation penalties in light of irresponsibility. In turn, firms with poor relative financial performance will receive increased stakeholder scrutiny and subsequent reputation penalties. Firms considered to be performing moderately in terms of their economic capacities may fair somewhat better than poor financial performers, yet may not enjoy the same level of reputational insurance that strong financial performance is likely to provide. With this in mind, I hypothesise that:

H6.9a: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).

H6.9b: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).

6.3.6. The Influence of Financial Performance in Relation to Effect Undesirability, Perceived Culpability and Affected Party Non-Complicity

Finally, the model of irresponsibility attributions proposed by Lange and Washburn (2012: 307) suggests that the combined presence of all three irresponsibility attributions, specifically 'effect undesirability', 'perceived culpability' and 'victimised party non-complicity' may be required 'to some degree' to elicit attributions of irresponsibility. The logical extension of which is that significant indications of the presence of all three characteristics may have the most significant attributions of irresponsibility associated with them, and resultantly, the most significant impacts on changes in corporate reputation. When considering the firm's financial performance, this study argues that, increased economic performance largely mitigates the potential impact of irresponsibility on the firm's overall reputation. I generally posit that assessments of the specific event form only part of an event's capacity to damage overall perceptions of the firm. This is because reputation may be contingent on a number of other factors, including the firm's ability to generate financial

returns. Again, in line with this position, I argue that events where the firm is perceived culpable, where the effect is perceived significantly undesirable and which involve the harm of a non-complicit stakeholder group, may not always be indicative of reputation damages. Specifically, the effect of these characteristics may be largely offset by the firm's overall reputation on the basis of whether it is a proficient economic actor as well as a social actor. However, firms which are not considered proficient in their capacity to generate economic returns may be more vulnerable to reputational decline in light of revelations of irresponsibility; because their 'overall' reputations are not adequately bolstered in this regard. These ideas may be more relevant for, and applicable to research that examines the perceptions of reputational assessors who have a primarily economic relationship with the firms assessed. In view of these points, I hypothesise that:

H6.10a: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).

H6.10b: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).

6.4. Data

This section only briefly takes stock of the variables employed in the analysis (detailed in *Chapter 3*, pages 64-74), whilst explaining the sub-sampling strategy used and the choice of sub-samples. As mentioned previously, reputation scores for this study were derived from Fortune Magazine's World's Most Admired Companies annual survey. The independent variables explored, namely irresponsibility data (e.g. event classifications, stakeholder harm types and so on) were derived, in part, from Thompson Reuters ASSET4 dataset and supplemented with additional data from the LexisNexis; whilst control variables come from DataStream. A full list of corporate irresponsibility events, harm types and event characteristics in the sample are provided in *Tables 4.1* and *4.2* (page 91) and described in more detail in methodological *Chapter 3* (pages 66-67).

6.4.1. Dependent Variable

Corporate Reputation

As detailed in previous chapters, the WMAC survey measures reputation according to an 11-point scale is used (0 = poor, 10 = excellent). The companies that appear in the WMAC survey consist of the 5 to 10 largest companies from the Fortune 1,000 lists for the year prior to the year of the survey whilst the respondents are senior executives and outside directors of Fortune 1,000 companies and financial analysts who cover these companies.

However, in this chapter, firms are sub-sampled according to another two key organisational characteristics that may distinguish some firms from others in their sample and most importantly, have the potential to shape attributions of irresponsibility. These organisational characteristics are **history of irresponsibility** and **financial performance**. The variable 'history of irresponsibility' reflects a firm's prior crisis history and is measured as the number of negative events that the firm has been associated with in the year prior (this measure is cumulative). Data was collected by the author from LexisNexis. History of irresponsibility was also computed into four sub-samples, namely top quartile (firms with the most populous history of irresponsibility, 'high HI'), second quartile (firms with above average history of irresponsibility, 'above average HI'), third quartile (firms with below average history of irresponsibility, 'below average HI') and bottom quartile (firms with lowest history of irresponsibility, 'low HI'). 'Financial performance' is measured by using the proxy return on total assets (ratio of pre-tax profits to total assets) and extracted from DataStream. ROA was computed into four sub-samples; top quartile (firms with high ROA, 'best financial performers'), second quartile (firms with above average ROA, 'above average financial performance'), third quartile (firms with below average ROA, 'below average financial performance') and bottom quartile (firms with low ROA, 'low financial performance').

6.4.2. Independent Variables

Corporate Irresponsibility

Each independent variable measures a specific aspect of corporate irresponsibility. 'ANY_EVENT' measures all identified acts of corporate irresponsibility per firm year without initially distinguishing between the different types of acts of irresponsibility. 'EVENT_1' ... 'EVENT_20' classify incidents of irresponsibility using general thematic categories (Table 4.1, page 91, for a list of event types). 'HARM_TYPES' measures *how* stakeholders are affected (Table 4.2, page 91, for a list of harm types). 'INJURIES' measures the specific effect of associated human injuries on changes in corporate reputation; 'FATALITIES' describes events with associated human fatalities; 'DECEPTION' captures incidents where the focal firm is associated with, or accused of, the deception of an individual and or stakeholder group(s); 'DISCRIMINATION' describes incidents whereby the firm is associated with discriminatory behaviour towards an individual and or stakeholder group(s); and 'JOB LOSSES' measures incidents associated with the loss of employment of current or previous employees.

This chapter too, tests for Lange and Washburn's (2012) increasingly popular theory regarding event characteristics for the two types of subsamples, namely *history of irresponsibility* and *financial performance*. '*EFFECT_UNDESIRABILITY*' measures events that are associated with an associated degree of moral disregard by organisational observers; '*CULPABILITY*' measures whether an incident was reported alongside other potential causal agents; while '*NON-COMPLICITY*' measures incidents that are associated with groups of stakeholders likely to be seen as non-complicit and evoke increased sympathy from the general stakeholder pool. Similar to *Chapters 4* and *5*, here I also test for the combined effects of these event characteristics on changes in corporate reputation, for the different sub-samples considered.

6.4.3. Control Variables

The variables '*LEVERAGE*' (measured by the ratio of total debt to total assets) and '*FIRM SIZE*' (the natural logarithm of the value of total assets) were collected from DataStream and included in all models. Furthermore, I measured '*RDASS*' (ratio of R&D expenditures to total assets) using the data available in DataStream. I controlled for how well the firms score in various areas associated with reputational performance. '*ENVIRONMENTAL SCORE*' (*ENV_SCORE*), '*SOCIAL RESPONSIBILITY SCORE*' (*SOC_SCORE*) and '*CORPORATE GOVERNANCE SCORE*' (*CGV_SCORE*). Each year was controlled for (respectively, 2006, 2007, 2009, 2010, 2011 and 2012); and dichotomous industry sector variables were included which took the value of '1' if the firm belonged to a specific industry and '0' otherwise. Please see a full list of industry sectors controlled for in this study in *Table 4.3* (*Chapter 4*, page 96).

6.5. Model specification

I present the linear regression results modelling the relationships between corporate reputation and the explanatory variables described in the previous section. Particularly, in this chapter, it is examined whether the effects of corporate irresponsibility variables such as irresponsibility events and stakeholder harms, predict changes in reputational scores differently for firms which belong to the top quartile of propensity for irresponsibility (financial performance), second, third or bottom quartiles respectively.

Table 4.4 in *Chapter 4* reported the means, standard deviations and correlation matrix for the variables in the study. Here, I further examined for multicollinearity between the variable 'history of irresponsibility' and the other variables, and there were no significant correlations found. Furthermore, I also re-ran the collinearity diagnostics to add the variable 'history of irresponsibility'; here also, the VIFs remain under the value of 10 showing no significant evidence of multicollinearity (for details on VIF values, see Field, 2009).

6.6. Results for the history of irresponsibility sub-sample

In this chapter, *Tables 6.1 – 6.8* present the linear regression results for the sub-sample history of irresponsibility ('HI') whilst *Tables 6.9 - 6.15* present the results of the linear regression concerning the effects of corporate irresponsibility events on changes in corporate reputation for the financial performance ('FP') sub-samples.

Model 1 is the base model (see *Table 6.1*). As in previous chapters, Model 1 illustrates a number of significant effects of the control variables utilised. For instance, prior year reputation (the LAG variable) is strongly associated with current year reputation scores. This implies that reputation updating is only a modest phenomenon. Firm size does not appear to have significant effects on changes in corporate reputation for any of the HI sub-samples. ROA has a positive and significant relationship on changes in corporate reputation in that firms with high, below average and low HI tend to receive higher reputation scores when they register high returns on their existing assets. In turn, the variable leverage tends to have a negative and significant effect on changes in corporate reputation mostly for firms characterised by high and average HI. Only some marginal effects were found when controlling for social, environmental and corporate governance scores. Similar results for these control variables are mirrored throughout the remaining regression models in this study.

Model 2 in *Table 6.2* tests broadly for the effect of corporate irresponsibility (ANY_EVENT) on changes in corporate reputation to verify Hypothesis 6.1a which predicted a significant, negative relationship between observed irresponsibility and changes in reputation for firms in the top quartile of HI. Whilst Hypothesis 6.1b predicted that firms with above average, below average and the lowest HI would not be associated with significant reputational change in light of observed irresponsibility. The regression model results show no significant results between ANY_EVENT and changes in corporate reputation for any of the sub-samples. Hence, Hypothesis 6.1a is not supported, whereas results support Hypothesis 6.1b.

Hypothesis 6.2a predicted a significant and negative relationship between broad event categories/ extant typologies and changes in corporate reputation for firms with the most populous HI (Model 3, *Table 6.2*). Indeed, some of the broad categories of events have a negative and significant effect on corporate reputation changes for firms in the top quartile, thus Hypothesis 6.2a is confirmed for accounting controversies ($\beta=-0.49$, $p<0.05$), spills and pollution events ($\beta=-0.30$, $p<0.01$) and diversity and opportunity ($\beta=-0.25$, $p<0.10$) events. Shareholder rights controversies also have a significant effect on the reputation of firms with the highest HI, however the effect is a positive one ($\beta=0.42$, $p<0.05$). One explanation for this may be that firms with increased histories of corporate irresponsibility may also manage irresponsibility effectively. Therefore, reputational enhancements may be largely due to the appropriate management of events which has not been captured here. In turn, Hypothesis 6.2b predicted no relationship between broad categories of irresponsibility events and

reputation for firms with lower HI (second, third and fourth quartiles) which was only partly confirmed since taxation does have a positive and marginally significant effect on the reputation of firms with above average HI scores ($\beta=0.40$, $p<0.10$). Also, there is a positive and significant effect of product and service quality ($\beta=0.24$, $p<0.10$) and a negative effect of shareholder rights ($\beta=-0.17$, $p<0.10$) and insider trading ($\beta=-0.71$, $p<0.01$) on the reputation of firms with below average HI scores. Interestingly, events that have a significant relationship on firms in the bottom quartile (low HI scores) are ethics ($\beta=-0.09$, $p<0.05$). This category specifically captures events with an underlying moral disposition, yet 'ethics' events did not fit well within other broad event classifications. A notable observation to be made here is that, firms with most frequent associations with irresponsibility were more susceptible to categories of irresponsibility that - under other circumstances - are seldom penalised. In turn, firms with the least association with irresponsibility were most impacted by more idiosyncratic, ethical incidents, suggesting that attributions of irresponsibility are not made in isolation and that firms may be given the benefit of the doubt in most instances of irresponsibility, unless the event is highly unusual. In the case of 'unusual' events, specifically ethics controversies, assessors may find unusual events more diagnostic of the firm's 'true' nature because the event may be highly context specific (Mishina, Block and Mannor, 2012).

Model 4 in *Table 6.3* adds the effect of stakeholder harms (financial harm, physical harm, emotional harm, civil liberties harm and environmental harm) on changes in corporate reputation for the different sub-samples. Hypothesis 6.2a predicted a negative and significant relationship between extant typologies and changes in reputation for firms in the top quartile of history of irresponsibility. This hypothesis is supported only for environmental harm (Model 4, $\beta=-0.39$, $p<0.01$). In turn, physical harm ($\beta=-0.11$, $p<0.10$) and emotional harm ($\beta=-0.80$, $p<0.05$) are negatively related to reputation for firms in the second quartile, i.e. with above average HI, whilst civil liberties harms ($\beta=-0.08$, $p<0.01$) is negatively related to the reputation of firms in the bottom quartile, i.e. with low HI (*Table 6.3*). Thus, Hypothesis 6.3b is not entirely supported. Again, firms with the highest propensity for corporate irresponsibility may be distinctly vulnerable to events of an environmental nature whilst those with the fewest incidents of irresponsibility were more susceptible to idiosyncratic events, such as civil liberties harms. Furthermore, in the same table, Model 5 tests for the effects of cases of observed human injuries on changes in reputation. Results show no significant relationship between human injuries and changes in corporate reputation for firms in the top, second, third or bottom quartiles of history of corporate irresponsibility, confirming Hypothesis 6.2b here. Similar results were found for the effect of human fatalities which was insignificant for all sub-samples of reputation (Model 6 in *Table 5.4*). Thus, no support was found for Hypothesis 6.2a in this instance either (implicitly, supporting Hypothesis 6.2b).

Model 7 in *Table 5.4* shows a negative and marginally significant relationship between stakeholder deception and changes in corporate reputation for the top quartile, i.e. firms with

the highest HI ($\beta=-0.13$, $p<0.10$), whilst this was not the case for other groups subsampled. Similarly, Model 8 in *Table 6.5* shows that discrimination, indeed, has a negative and significant effect on reputational changes associated with firms in the top quartile of HI ($\beta=-0.29$, $p<0.05$), but was not associated with reputation penalties for other firms subsampled on the basis of HI. Further, in *Table 6.5*, Model 9 tests for the relationship between job losses and changes in corporate reputation changes for each sub-sample, indicating that there is a negative and significant effect of job loss events on changes in reputation for firms in the top quartiles of history of irresponsibility ($\beta=-0.28$, $p<0.05$) and no significant effect of job loss events on the reputation of other sub-samples of firms. In sum, there is some strong evidence in the main that firms with the most populous histories of irresponsibility are more vulnerable to irresponsibility based on the analysis of extant typologies and broad classifications of irresponsibility.

Models 10 to 16 test the attribution theoretic framework offered by Lange and Washburn (2012) concerning the condition of EFFECT UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY. Hypotheses 6.3a, 6.4a and 6.5a predicted a significant and negative relationship between events exhibiting undesirability/ perceived culpability/ non-complicity and changes in reputation for firms in the top quartiles of HI. In turn, Hypotheses 6.3b, 6.4b and 6.5b predicted no significant relationships on the other sub-samples. On their own, effect undesirability and non-complicity respectively, had not significant effects on changes in reputation for any of the HI sub-samples. Hypothesis 6.3b is fully supported, whilst Hypothesis 6.3a was only supported in Model 11, which shows a negative and significant relationship between culpability and reputation changes for firms with high HI ($\beta=-0.13$, $p<0.10$). Next, Models 13 to 16 tested for the presence of various combinations of these event characteristics on corporate reputation subsamples (see *Tables 6.7* and *6.8*). Overall, no negative and significant effects were found to attest that the presence of either two or all three event characteristics (i.e. effect undesirability, culpability and affected party non-complicity) were significant predictors of reputational decline for firms with high HI, leading to Hypotheses 6.4a and 6.5a not being supported. In turn, Hypotheses 6.4b and 6.5b were supported with some important exceptions. Specifically, the simultaneous presence of both effect undesirability and affected party non-complicity appears to have a positive effect (yet, small) on changes in the reputations of firms with above average HI ($\beta=0.00$, $p<0.10$). However, perhaps surprisingly, when the firm is perceived as culpable and the affected party is viewed as vulnerable, the reputations of firms with low HI seem to benefit significantly ($\beta=0.82$, $p<0.05$). In turn, the combined presence of all three corporate irresponsibility attributes has a significant and positive effect only on changes in the reputations of firms with above average HI ($\beta=0.00$, $p<0.10$). Again, reputational enhancements may be largely the result of the appropriate management of events, rather than the events themselves.

Table 6.1: Results of the linear regression for base Model 1: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Variables	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	1.13*	1.62**	1.18*	0.80
LAGS (REP T,1)	0.67***	0.73***	0.78***	0.76***
FIRM SIZE	0.02	0.03	0.03	0.09†
RDASS	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01†
ENV_SCORE ^c	0.00	0.00	0.00	0.01†
CVG_SCORE ^c	0.00	-0.00	-0.01	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.53	0.49	0.48	0.52
<i>F</i>	15.980	16.925	17.877	15.918
<i>R square</i>	0.69	0.78	0.80	0.74
<i>Adjusted R square</i>	0.64	0.74	0.75	0.70
<i>N</i>	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.2: Results of the linear regression for Models 2 and 3: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 2				Model 3			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	1.11*	1.73**	1.23*	0.85	1.23**	1.54*	1.19†	0.92
ANY_EVENT	-0.03	0.11	-0.08	-0.11				
EVENT 1_Management compensation					-0.03	-0.31	-0.17	0.06
EVENT 2_Shareholder rights					0.42*	-0.03	-0.17†	0.03
EVENT 3_Earnings					-0.52	-0.25	-	0.13
EVENT 4_Insider Trading					-0.80	0.50	-0.71**	-0.04
EVENT 5_Accounting					-0.49*	-0.03	-0.42	-0.19
EVENT 6_Customer/Consumer					-0.05	-0.07	-0.01	-0.02
EVENT 7_Product & Service Quality					0.15	0.06	0.24†	0.10
EVENT 8_Spills and pollution					-0.30**	-0.07	0.04	-0.01
EVENT 9_Product recalls					0.06	0.01	0.02	0.01
EVENT 10_Intellectual property					-0.02	-0.03	0.03	0.02
EVENT 11_Public Health					0.33	-0.42	-0.18	0.07
EVENT 12_Taxation					-0.20	0.40†	-0.30	-0.13
EVENT 13_Anti-corruption					-0.03	0.21**	-0.14	-0.04
EVENT 14_Human rights					-0.35	0.01	-0.01	-0.03
EVENT 15_Child Labor					-	-	0.39	0.33
EVENT 16_Freedom of association					-0.11	-	0.34	0.09
EVENT 17_Diversity and opportunity					-0.25†	0.03	0.07	0.03
EVENT 18_Wages and working conditions					-0.13	0.01	-0.02	0.02
EVENT 19_Employee health and safety					0.13	-0.11	-0.09	0.08
EVENT 20_Ethics					0.17	-0.12	0.07	-0.09*
LAGS (REP T,1)	0.67***	0.72***	0.78***	0.75***	0.66***	0.72***	0.76***	0.73***
FIRM SIZE	0.02	0.02	0.04	0.10†	0.02	0.03	0.05	0.10
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	0.05	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01	-0.00	-0.01*	-0.01**	-0.00	-0.00
ROA	0.01**	0.01	0.02**	0.02**	0.01*	0.00	-0.01**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01†	-0.00	0.00	-0.00	-0.01
ENV_SCORE ^c	0.00†	0.00	0.00	0.01†	0.00*	0.00	0.00	0.01
CVG_SCORE ^c	0.00	-0.00	-0.01†	-0.01	0.00	-0.00	-0.01†	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.53	0.49	0.48	0.51	0.52	0.49	0.48	0.52
<i>F</i>	15.677	16.742	17.560	15.545	12.597	12.262	13.395	10.832
<i>R square</i>	0.69	0.79	0.80	0.74	0.71	0.80	0.82	0.76
<i>Adjusted R square</i>	0.64	0.74	0.75	0.69	0.65	0.73	0.76	0.69
<i>N</i>	468	279	279	282	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.3: Results of the linear regression for Models 4 and 5: History of corporate irresponsibility (HI) sub-sample^{a,b,c}

Independent variables	Model 4				Model 5			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	1.07	1.75**	1.19*	0.84	1.11*	1.62**	1.16†	0.87
HARM 1 - Financial	-0.03	0.04	-0.02	0.01				
HARM 2 - Physical	0.11	-0.11†	0.05	0.00				
HARM 3 – Emotional	-0.23	-0.80*	0.07	0.08				
HARM 4 – Civil Liberties	-0.11	-0.08	-0.04	-0.08**				
HARM 5 - Environmental	-0.39**	0.08	0.04	0.03				
INJURIES					-0.12	0.02	-0.05	0.08
LAGS (REP T,1)	0.68***	0.72***	0.78***	0.77***	0.67***	0.72***	0.78***	0.75***
FIRM SIZE	0.03	0.02	0.04	0.09	0.02	0.03	0.04	0.08
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	-0.00	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01*	0.01	0.02**	0.02**	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01*	-0.00	0.00	-0.00	-0.01†
ENV_SCORE ^c	0.00†	0.00	0.00	0.01†	0.00†	0.00	0.00	0.01†
CVG_SCORE ^c	0.00	-0.00	-0.01	-0.01	0.00	-0.00	-0.01	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.52	0.49	0.48	0.51	0.53	0.49	0.48	0.51
<i>F</i>	14.950	15.526	16.041	14.240	15.698	16.516	17.481	15.574
<i>R square</i>	0.70	0.80	0.80	0.75	0.69	0.78	0.80	0.74
<i>Adjusted R square</i>	0.65	0.74	0.75	0.70	0.64	0.74	0.75	0.70
<i>N</i>	468	279	279	282	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.4: Results of the linear regression for Models 6 and 7: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 6				Model 7			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
Constant	1.15*	1.60**	1.08+	0.70	1.07*	1.76**	1.17*	0.80
FATALITIES	-0.18	-0.13	-0.09	-0.11				
DECEPTION					-0.13+	0.07	-0.03	0.04
LAGS (REP T,1)	0.67***	0.73***	0.78***	0.76***	0.67***	0.72***	0.78***	0.75***
FIRM SIZE	0.02	0.03	0.04	0.10+	0.02	0.02	0.04	0.10+
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	0.00	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01+	-0.00	0.00	-0.00	-0.01+
ENV_SCORE ^c	0.00+	0.00	0.00	0.01+	0.00+	0.00	0.00	0.01+
CVG_SCORE ^c	0.00	-0.00	-0.01	-0.01	0.00	-0.00	-0.01	-0.01
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.53	0.49	0.48	0.51	0.53	0.49	0.48	0.51
F	15.712	16.578	17.524	15.613	15.839	16.600	17.470	15.510
R square	0.69	0.78	0.80	0.74	0.69	0.78	0.80	0.74
Adjusted R square	0.64	0.74	0.75	0.70	0.64	0.74	0.75	0.69
N	468	279	279	282	468	279	279	282

Table 6.5: Results of the linear regression for Models 8 and 9: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 8				Model 9			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
Constant	1.10*	1.56**	1.19*	0.75	1.05*	1.72**	1.16+	0.82
DISCRIMINATION	-0.29*	-0.06	0.11	-0.04				
JOB LOSSES					-0.28*	0.12	0.07	0.01
LAGS (REP T,1)	0.67***	0.73***	0.78***	0.75***	0.67***	0.72***	0.78***	0.76***
FIRM SIZE	0.02	0.03	0.03	0.10+	0.03	0.02	0.02	0.09+
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	-0.00	-0.01*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	0.00	-0.01+	-0.00	2.53	0.00	-0.01+
ENV_SCORE ^c	0.00+	0.00	0.00	0.01+	0.00+	0.00	0.00	0.01+
CVG_SCORE ^c	0.00	-0.00	-0.01+	-0.01	0.00	-0.00	-0.01	-0.01
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.53	0.49	0.48	0.51	0.52	0.49	0.48	0.51
F	15.897	16.533	17.546	15.514	15.923	16.597	17.499	15.493
R square	0.69	0.78	0.80	0.74	0.69	0.78	0.80	0.74
Adjusted R square	0.64	0.74	0.75	0.69	0.65	0.74	0.75	0.69
N	468	279	279	282	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; +0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.6: Results of the linear regression for Models 10, 11 and 12: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 10				Model 11				Model 12			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	1.15**	1.54**	1.14†	0.57	1.03*	1.56**	1.24*	0.59	1.12*	1.56	1.18*	0.56
EFFECT_UNDESIRABILITY ^c	0.00	0.00	-0.00	0.00								
CULPABILITY					-0.13*	0.06	-0.07	-0.09				
NON-COMPLICITY									-0.07	0.01	0.06	0.05
LAGS (REP T,1)	0.67***	0.72***	0.78***	0.76***	0.67***	0.72***	0.77***	0.75***	0.67***	0.73***	0.78***	0.76***
FIRM SIZE	0.02	0.03	0.03	0.09†	0.03	0.03	0.04	0.10†	0.02	0.03	0.03	0.08
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.01	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	-0.00	-0.00*	-0.01**	-0.01**	-0.00	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01†	-0.00	0.00	-0.00	-0.01†	-0.00	0.00	-0.00	-0.01†
ENV_SCORE ^c	0.00	0.00	0.00	0.01†	0.00†	0.00	0.00	0.01†	0.00†	0.00	0.00	0.01
CVG_SCORE ^c	0.00	-0.00	-0.01	-0.01	0.00	-0.00	-0.01	-0.01	0.00	-0.00	-0.01	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.53	0.49	0.48	0.51	0.52	0.49	0.48	0.51	0.53	0.49	0.48	0.51
<i>F</i>	15.712	16.515	17.600	15.539	15.884	16.581	17.532	15.543	15.685	16.516	17.516	15.537
<i>R square</i>	0.69	0.78	0.80	0.74	0.69	0.78	0.79	0.74	0.68	0.78	0.80	0.74
<i>Adjusted R square</i>	0.64	0.74	0.75	0.69	0.64	0.74	0.75	0.69	0.64	0.74	0.75	0.69
<i>N</i>	468	279	279	282	468	279	279	282	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.7: Results of the linear regression for Models 13, 14 and 15: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 13				Model 14				Model 15			
	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	0.93*	1.54**	1.21*	0.61	1.04*	1.63**	1.10†	0.64	1.04*	1.57**	1.21*	0.69
EFFECT_UNDESIRABILITY ^c	0.00†	-0.00	-0.00	-0.00	0.00	-0.00	-0.00†	-0.00	0.00†	0.00	-0.00	0.00
CULPABILITY	-0.16*	0.06	-0.09	-0.11	-0.17*	0.08	-0.06	-0.09	-0.18*	0.06	-0.08	-0.21†
NON-COMPLICITY	0.02	-0.03	0.08	0.06	0.04	-0.06	0.07	0.04	-0.12	-0.27	0.04	-0.74*
EFFECT_UNDESIRABILITY AND CULPABILITY ^c	-0.00	0.00	0.00	0.00								
EFFECT_UNDESIRABILITY AND NON-COMPLICITY ^c					0.00	0.00†	0.00	0.00				
CULPABILITY AND NON-COMPLICITY									0.18	0.25	0.05	0.82*
LAGS (REP T,1)	0.67***	0.72***	0.77***	0.76***	0.67***	0.72***	0.78***	0.76***	0.67***	0.72***	0.78***	0.74***
FIRM SIZE	0.03	0.03	0.04	0.09	0.03	0.03	0.04	0.09	0.03	0.03	0.04	0.11*
RDASS	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00†	-0.01**	-0.01**	-0.00	-0.00*	-0.01**	-0.01**	-0.00	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02**	0.01**	0.00	0.02**	0.02
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01	-0.00	0.00	-0.00	-0.01†	-0.00	0.00	-0.00	-0.01†
ENV_SCORE ^c	0.00†	0.00	0.00	0.01	0.00†	0.00	0.00	0.01	0.00†	0.00	0.00	0.01
CVG_SCORE ^c	0.00	-0.00	-0.01†	-0.01	0.00	-0.00	-0.01	-0.01	0.00	-0.00	-0.01†	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.52	0.49	0.48	0.51	0.53	0.49	0.48	0.51	0.52	0.49	0.48	0.51
<i>F</i>	15.204	15.516	16.733	14.505	15.120	15.725	16.722	14.548	15.130	15.462	16.559	14.861
<i>R square</i>	0.69	0.78	0.80	0.74	0.69	0.79	0.80	0.74	0.69	0.78	0.80	0.75
<i>Adjusted R square</i>	0.64	0.73	0.75	0.70	0.64	0.74	0.75	0.69	0.64	0.73	0.75	0.70
<i>N</i>	468	279	279	282	468	279	279	282	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.8: Results of the linear regression for Model 16: History of corporate irresponsibility ('HI') sub-sample^{a,b,c}

Independent variables	Model 16			
	High HI	Above average HI	Below average HI	Low HI
<i>Constant</i>	1.07*	1.64**	1.11†	0.64
EFFECT_UNDESIRABILITY ^c	0.00	-0.00	-0.00†	-0.00
CULPABILITY	-0.17*	0.08	-0.06	-0.09
NON-COMPLICITY	0.03	-0.05	0.07	0.04
EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY ^c	0.00	0.00†	0.00	0.00
LAGS (REP T,1)	0.67***	0.72***	0.78***	0.76***
FIRM SIZE	0.03	0.03	0.04	0.09
RDASS	0.01	-0.02	-0.00	-0.02
LEVERAGE	-0.00*	-0.01**	-0.01**	-0.00
ROA	0.01**	0.00	0.02**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00	-0.01†
ENV_SCORE ^c	0.00†	0.00	0.00	0.01
CVG_SCORE ^c	0.00	-0.00	-0.01	-0.01
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.53	0.49	0.48	0.51
<i>F</i>	15.128	15.736	16.718	14.558
<i>R square</i>	0.69	0.79	0.80	0.74
<i>Adjusted R square</i>	0.64	0.74	0.75	0.69
<i>N</i>	468	279	279	282

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

6.7. Results for the financial performance sub-sample

Tables 6.9 - 6.15 present the results of the linear regression concerning the effects of corporate irresponsibility on changes in corporate reputation for firms categorised in the financial performance sub-samples or 'FP' sub-samples hereafter.

Model 17 is the base model (see Table 6.9) whilst Model 18 in Table 6.10 tests broadly for the effect of corporate irresponsibility (ANY_EVENT) on changes in corporate reputation. Hypothesis 6.6a predicted no significant relationship between observed irresponsibility and changes in corporate reputation for firms in the top quartiles of financial performance. In turn, Hypothesis 6.6b proposed that firms within the second, third and bottom quartiles of financial performance would be associated with significant and negative alterations in reputation scores in instances of general observed irresponsibility. Model 18 shows no significant results for the variable ANY_EVENT on reputation changes for any of the FP sub-samples, thus providing support for Hypothesis 6.6a but not supporting Hypothesis 6.6b.

Hypothesis 6.7a predicted no significant relationship between broad event categories/ extant typologies of irresponsibility and reputational changes for firms with high FP, i.e. top quartile, whilst Hypothesis 6.7b predicted negative and significant relationships with reputation change of broad events and extant typologies for the other sub-samples (Model 19, *Table 6.10*). Instead, the regression results suggest that different types of events influence different sub-samples of firms. Specifically, the analysis shows positive and significant effects on the reputation of firms with the highest FP for product and service quality events ($\beta=0.39$, $p<0.01$) and perhaps surprisingly at a first glance, for child labor controversies ($\beta=0.61$, $p<0.01$). Yet, a possible interpretation of this last result in particular, is that forms of irresponsibility may be associated with distinct financial benefits. In instances where the financial benefits outweigh the potential penalties associated with irresponsibility, irresponsibility may actually enhance the 'overall' perception of the firm. Furthermore, *Table 6.10* also shows a positive and marginally significant relationship between freedom of association events and reputation changes for firms in the second quartile, i.e. the above average financial performers ($\beta=0.74$, $p<0.10$). Also, accounting controversies ($\beta=-0.64$, $p<0.01$) and ethics ($\beta=-0.28$, $p<0.05$) were found to have a negative and significant relationship with changes in the reputation of firms in the third quartile of FP. Events such as spills and pollution are negatively associated with changes in corporate reputation of firms with lower financial performance ($\beta=-0.28$, $p<0.10$). Therefore, these results show some support for Hypothesis 6.7b.

Furthermore, Model 20 adds the main effects of stakeholder harms (financial harm, physical harm, emotional harm, civil liberties harm and environmental harm) on changes in corporate reputation for firms with different levels of financial performance. Model 20 in *Table 6.11* shows no significant relationships between financial, physical, emotional, civil liberties or environmental harms on neither of the corporate reputation sub-samples. Thus, these findings support Hypothesis 6.7a but not Hypothesis 6.7b. In turn, Model 21 in the same table tests for the effects of cases of observed human injuries on changes in reputation. Results show no significant relationship between human injuries and corporate reputation changes for firms in the top, second, third or bottom quartiles of FP, again, confirming Hypothesis 6.7a yet not Hypothesis 6.7b. It should be mentioned here that similar results were found for the effect of human fatalities and deception which were insignificant for all sub-samples of reputation (Models 22 and 23 in *Table 6.12*). Similarly, Models 24 and 25 in *Table 6.13* show that neither discrimination, nor job losses have a significant relationship with changes in corporate reputations irrespective of the category of financial performance they fall under (thus, overall, supporting Hypothesis 6.7a and not supporting Hypothesis 6.7b in the main).

As in previous analyses, Models 26 to 32 test the attribution theoretic framework offered by Lange and Washburn (2012) concerning the condition of EFFECT_UNDESIRABILITY, perceived CULPABILITY and affected party NON-COMPLICITY. Overall, the hypotheses

predicted no significant relationship between these factors and corporate reputation changes for firms in the top quartile of FP (i.e. Hypotheses 6.8a, 6.9a, 6.10a) and a negative and significant relationship with corporate reputation changes for firms in the second, third and fourth quartiles of FP (i.e. Hypotheses 6.8b, 6.9b, 6.10b). On their own, effect undesirability, non-complicity and culpability respectively, have no significant effects on changes in reputation for any of the FP sub-samples (see Models 26-28 in *Table 6.14*). Overall, no significant effects were found to attest that the presence of either two or all three event characteristics leads to corporate reputation changes. Exception being Model 31 which shows that, the combined presence of culpability and non-complicity has a marginally positive effect on changes in the reputation of firms with bellow average FP ($\beta=0.46$, $p<0.10$). Results show also a strong and positively significant effect of the combined presence of culpability and non-complicity on changes in the reputation of firms with low FP ($\beta=1.63$, $p<0.01$). An interpretation of these findings may be that the reputational assessors' social responsibility expectations of firms with relatively lower financial performance may be limited, in which case, the associated cost-benefits of corporate irresponsibility may, in fact, lead to an increase in overall reputational score for these firms because a constituent component of overall reputation is the firm's financial standing. In turn, as shown in Model 32, the combined presence of all three corporate irresponsibility attributes (i.e. effect undesirability, culpability and affected party non-complicity) does not have a significant relationship with changes in corporate reputation for any of the FP sub-samples (see *Table 6.16*). Consequently, Hypotheses 6.8a, 6.9a and 6.10a are supported by the regression models, whilst no support was found for Hypotheses 6.8b, 6.9b and 6.10b.

Table 6.9: Results of the linear regression for base Model 17: Financial performance ('FP')
sub-sample^{a,b,c}

Variables	Model 17			
	High FP	Above average FP	Below average FP	Low FP
<i>Constant</i>	0.95 [†]	1.00 [†]	-0.02	1.84 ^{**}
LAGS (REP T,1)	0.72 ^{***}	0.71 ^{***}	0.66 ^{***}	0.72 ^{***}
FIRM SIZE	0.08 [†]	0.09 [*]	0.06	-0.02
RDASS	-0.00	0.00	-0.04	-0.00
LEVERAGE	-0.00	-0.00	-0.01 ^{**}	-0.01 [*]
ROA	0.01	-0.02	0.11 ^{**}	0.02 ^{**}
SOC_SCORE ^c	-0.00	0.00	-0.00 [*]	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01 ^{***}	0.00
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error of the estimate</i>	<i>0.47</i>	<i>0.46</i>	<i>0.48</i>	<i>0.55</i>
<i>F</i>	<i>16.262</i>	<i>14.162</i>	<i>13.756</i>	<i>17.238</i>
<i>R square</i>	<i>0.73</i>	<i>0.72</i>	<i>0.76</i>	<i>0.75</i>
<i>Adjusted R square</i>	<i>0.69</i>	<i>0.67</i>	<i>0.70</i>	<i>0.71</i>
<i>N</i>	<i>332</i>	<i>329</i>	<i>301</i>	<i>346</i>

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; [†]0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.10: Results of the linear regression for Models 18 and 19: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 18				Model 19			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
Constant	0.99 ⁺	1.07 ⁺	0.00	1.86**	1.33**	0.69	0.37	1.84**
ANY_EVENT	0.02	0.04	-0.02	-0.04				
EVENT 1_Management compensation					0.07	-0.13	0.39	-0.10
EVENT 2_Shareholder rights					-0.04	0.05	-0.18	0.04
EVENT 3_Earnings					0.16	-	0.40	-0.37
EVENT 4_Insider Trading					0.16	0.29	-0.04	-0.21
EVENT 5_Accounting					-0.57	-0.42	-0.64**	-0.04
EVENT 6_Customer/Consumer					-0.05	-0.08	0.05	-0.09
EVENT 7_Product & Service Quality					0.39**	0.17	0.09	0.05
EVENT 8_Spills and pollution					-0.07	-0.03	-0.11	-0.28 ⁺
EVENT 9_Product recalls					-0.03	0.02	0.07	-0.27
EVENT 10_Intellectual property					0.08	-0.05	-0.02	0.01
EVENT 11_Public Health					0.31 ⁺	-0.13	-0.27	0.51
EVENT 12_Taxation					-0.07	-0.37	0.12	-0.13
EVENT 13_Anti-corruption					-0.04	-0.16 ⁺	0.07	0.03
EVENT 14_Human rights					0.03	0.20	-0.63	-0.09
EVENT 15_Child Labor					0.61**	-0.27	0.35	-
EVENT 16_Freedom of association					-	0.74 ⁺	0.27	-0.51
EVENT 17_Diversity and opportunity					0.00	0.07	0.02	0.10
EVENT 18_Wages and working conditions					0.02	-0.05	-0.17 ⁺	0.14
EVENT 19_Employee health and safety					-0.14	0.01	0.15	0.36 ⁺
EVENT 20_Ethics					-0.05	-0.13	-0.28*	0.01
LAGS (REP T,1)	0.72***	0.71***	0.66***	0.72***	0.70***	0.70***	0.65***	0.72***
FIRM SIZE	0.07 ⁺	0.08*	0.05	-0.02	0.05	0.12**	0.07	-0.02
RDASS	-0.00	0.00	-0.04 ⁺	-0.00	-0.00	0.01	-0.03	-0.00
LEVERAGE	-0.00	-0.00	-0.01**	-0.01*	-0.00	-0.00	-0.01*	-0.01 ⁺
ROA	0.01	-0.02	0.11**	0.02**	0.00	-0.02	0.12**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.01*	-1.74
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00 ⁺	0.00	-0.00	0.01***	0.00
CVG_SCORE ^c	-0.00	9.05	0.00	-0.00	-0.00	0.00	0.00	-0.00
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.47	0.46	0.48	0.55	0.47	0.47	0.47	0.55
F	15.883	13.869	13.462	16.874	12.053	10.312	10.533	12.679
R square	0.73	0.72	0.76	0.75	0.76	0.74	0.78	0.77
Adjusted R square	0.69	0.67	0.70	0.71	0.69	0.69	0.71	0.71
N	332	329	301	346	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.11: Results of the linear regression for Models 20 and 21: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 20				Model 21			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
<i>Constant</i>	0.95†	0.96	0.10	1.86**	0.89†	1.01†	0.01	1.87**
HARM 1 - Financial	-0.01	0.03	0.01	-0.06				
HARM 2 - Physical	0.02	-0.05	0.09	-0.15				
HARM 3 – Emotional	0.13	0.30†	-0.25	0.00				
HARM 4 – Civil Liberties	0.03	-0.02	-0.02	-0.13				
HARM 5 - Environmental INJURIES	-0.12	0.08	-0.14	-0.16				
LAGS (REP T,1)					-0.05	0.01	0.04	0.12
LAGS (REP T,1)	0.72***	0.70***	0.67***	0.71***	0.72***	0.71***	0.66***	0.72***
FIRM SIZE	0.07†	0.10*	0.04	-0.01	0.08*	0.09*	0.06	-0.02
RDASS	-0.00	0.00	-0.04	-0.00	-0.00	0.00	-0.04	-0.00
LEVERAGE	-0.00	-0.00	-0.01*	-0.01*	-0.00	-0.00	-0.01*	-0.01*
ROA	0.01	-0.02	0.11**	0.02**	0.01	-0.02	0.11**	0.01**
SOC_SCORE ^c	-0.00	0.00	-0.00†	-0.00	-0.00	0.00	-0.00†	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00†	0.00	-0.00	0.01***	0.00
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.48	0.47	0.48	0.55	0.47	0.46	0.48	0.55
<i>F</i>	14.254	12.651	12.404	15.670	15.907	13.839	13.466	16.923
<i>R square</i>	0.74	0.73	0.76	0.76	0.73	0.72	0.76	0.75
<i>Adjusted R square</i>	0.68	0.67	0.70	0.71	0.69	0.67	0.70	0.71
<i>N</i>	332	329	301	346	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.12: Results of the linear regression for Models 22 and 23: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 22				Model 23			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
Constant	0.90 ⁺	0.93 ⁺	-0.12	1.84**	1.02*	1.03 ⁺	-0.08	1.83**
FATALITIES	-0.06	-0.11	-0.18	-0.01				
DECEPTION					0.04	0.01	-0.04	-0.06
LAGS (REP T,1)	0.72***	0.71***	0.67***	0.72***	0.71***	0.71***	0.66***	0.72***
FIRM SIZE	0.08 ⁺	0.10**	0.06	-0.02	0.07 ⁺	0.09*	0.07	-0.01
RDASS	-0.00	0.00	-0.04	-0.00	-0.00	0.00	-0.04	-0.00
LEVERAGE	-0.00	-0.00	-0.01**	-0.01*	-0.00	-0.00	-0.01*	-0.01*
ROA	0.01	-0.02	0.11***	0.02**	0.01	-0.02	0.11**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.00*	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00	0.00	-0.00	0.01***	0.00 ⁺
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.72	0.46	0.47	0.55	0.47	0.46	0.48	0.55
F	15.901	13.933	13.615	16.855	15.907	13.842	13.477	16.908
R square	0.73	0.72	0.76	0.75	0.73	0.72	0.76	0.75
Adjusted R square	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.71
N	332	329	301	346	332	329	301	346

Table 6.13: Results of the linear regression for Models 24 and 25: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 24				Model 25			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
Constant	0.92 ⁺	1.07*	-0.01	1.84**	0.94 ⁺	0.94 ⁺	0.01	1.89**
DISCRIMINATION	-0.09	0.09	0.02	-0.01				
JOB LOSSES					-0.02	-0.08	0.02	0.09
LAGS (REP T,1)	0.72***	0.71***	0.66***	0.72***	0.72***	0.71***	0.66***	0.72***
FIRM SIZE	0.08*	0.08*	0.06	-0.02	0.08 ⁺	0.09*	0.06	-0.03
RDASS	-0.00	0.00	-0.04	-0.00	-0.00	0.00	-0.04	-0.00
LEVERAGE	-0.00	-0.00	-0.01**	-0.01*	-0.00	-0.00	-0.01**	-0.01*
ROA	0.01	-0.02	0.11**	0.02**	0.01	-0.02	0.11**	0.01**
SOC_SCORE ^c	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.00 ⁺	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00	0.00	-0.00	0.01***	0.00
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00
YEAR	Present	Present	Present	Present	Present	Present	Present	Present
INDUSTRY	Present	Present	Present	Present	Present	Present	Present	Present
Std. error	0.47	0.46	0.48	0.55	0.47	0.46	0.48	0.55
F	15.929	13.884	13.456	16.855	15.877	13.896	13.457	16.914
R square	0.73	0.72	0.76	0.75	0.73	0.72	0.76	0.75
Adjusted R square	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.71
N	332	329	301	346	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; ⁺0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.14: Results of the linear regression for Models 26, 27 and 28: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 26				Model 27				Model 28			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
<i>Constant</i>	0.99*	0.93†	0.39	1.43**	1.03*	0.84	0.35	1.52**	1.07*	0.96†	0.38	1.47**
EFFECT_UNDESIRABILITY ^c	0.00	0.00	0.00	-0.00								
CULPABILITY					0.02	-0.05	-0.01	-0.12				
NON-COMPLICITY									0.07	0.10	0.03	-0.02
LAGS (REP T,1)	0.72***	0.71***	0.66***	0.72***	0.72***	0.72***	0.66***	0.71***	0.72***	0.71***	0.66***	0.72***
FIRM SIZE	0.08†	0.09*	0.05	0.01	0.07	0.10*	0.06	-0.01	0.07†	0.08†	0.06	-0.02
RDASS	-0.00	0.00	0.04†	0.00	-0.00	0.00	-0.04	-0.00	-0.00	0.00	-0.04	-0.00
LEVERAGE	0.00	-0.00	-0.01*	-0.01*	-0.00	-0.00	-0.01**	-0.01**	-0.00	-0.00	-0.01**	-0.01*
ROA	0.01	-0.02	0.11**	0.02**	0.01	-0.02	0.11**	0.02**	0.01	-0.01	0.11**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.00*	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00†	0.00	-0.00	0.01***	0.00†	0.00	-0.00	0.01***	0.00
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00	-0.00	0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.46	0.47	0.55	0.72	0.46	0.47	0.55	0.47	0.46	0.48	0.55
<i>F</i>	15.899	13.840	13.467	16.935	15.881	13.875	13.458	17.021	15.942	13.924	13.463	16.858
<i>R square</i>	0.73	0.72	0.76	0.75	0.73	0.72	0.76	0.76	0.73	0.72	0.76	0.75
<i>Adjusted R square</i>	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.71
<i>N</i>	332	329	301	346	332	329	301	346	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.15: Results of the linear regression for Models 29, 30 and 31: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 29				Model 30				Model 31			
	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP	High FP	Above average FP	Below average FP	Low FP
<i>Constant</i>	1.02*	0.82	0.30	1.49**	1.06*	0.88†	0.40	1.49**	1.10*	0.84	0.46	1.48**
EFFECT_UNDESIRABILITY ^c	-0.00	-0.00	0.00	0.00	0.00	-0.00	-0.00	-0.00	0.00	0.00	0.00	-0.00
CULPABILITY	-0.03	-0.07	-0.01	-0.10	-0.02	-0.07	-0.02	-0.09	0.00	-0.08	-0.06	-0.15†
NON-COMPLICITY	0.08	0.12	0.03	0.02	0.08	0.11	0.02	-0.02	0.40	0.14	-0.36	-1.57**
EFFECT_UNDESIRABILITY AND CULPABILITY ^c	0.00	0.00	-0.00	-0.00								
EFFECT UNDESIRABILITY AND NON-COMPLICITY ^c					-0.00	0.00	0.00	0.00				
CULPABILITY AND NON-COMPLICITY									-0.33	-0.02	0.46†	1.63**
LAGS (REP T,1)	0.72***	0.72***	0.67***	0.71***	0.72***	0.72***	0.66***	0.71***	0.72***	0.72***	0.66***	0.71***
FIRM SIZE	0.07†	0.09*	0.06	-0.01	0.07†	0.09*	0.05	-0.01	0.07	0.09*	0.05	-0.01
RDASS	-0.00	0.00	-0.04	0.00	-0.00	0.00	-0.04	0.00	-0.00	0.00	-0.04	0.00
LEVERAGE	-0.00	-0.00	-0.01*	-0.01*	-0.00	-0.00	-0.01**	-0.01*	-0.00	-0.00	-0.01**	-0.01**
ROA	0.01	-0.01	0.11**	0.02**	0.01	-0.02	0.11**	0.02**	0.00	-0.01	0.11**	0.01**
SOC_SCORE ^c	-0.00	0.00	-0.00*	-0.00	-0.00	0.00	-0.00†	-0.00	-0.00	0.00	-0.00†	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00†	0.00	-0.00	0.01***	0.00†	0.00	-0.00	0.01***	0.00†
CVG_SCORE ^c	-0.00	0.00	0.00	-0.00	-0.00	-0.00	0.00	-0.00	-0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.46	0.47	0.55	0.47	0.46	0.48	0.55	0.47	0.46	0.48	0.55
<i>F</i>	15.069	13.179	12.707	16.027	14.892	13.213	12.656	16.108	14.950	13.102	12.840	16.525
<i>R square</i>	0.74	0.73	0.76	0.76	0.73	0.73	0.76	0.76	0.74	0.73	0.76	0.76
<i>Adjusted R square</i>	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.71	0.69	0.67	0.70	0.72
<i>N</i>	332	329	301	346	332	329	301	346	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

Table 6.16: Results of the linear regression for Model 32: Financial performance ('FP') sub-sample^{a,b,c}

Independent variables	Model 32			
	High FP	Above average FP	Below average FP	Low FP
<i>Constant</i>	1.06*	0.88†	0.41	1.49**
EFFECT_UNDESIRABILITY ^c	0.00	-0.00	-0.00	-0.00
CULPABILITY	-0.01	-0.07	-0.02	-0.09
NON-COMPLICITY	0.07	0.11	0.02	-0.02
EFFECT_UNDESIRABILITY AND CULPABILITY AND NON-COMPLICITY ^c	0.00	0.00	0.00	0.00
LAGS (REP T,1)	0.72***	0.72***	0.66***	0.71***
FIRM SIZE	0.07†	0.09*	0.05	-0.01
RDASS	-0.00	0.00	0.04	0.00
LEVERAGE	-0.00	-0.00	-0.01**	-0.01*
ROA	0.01	-0.02	0.11**	0.02**
SOC_SCORE ^c	-0.00	0.00	-0.00†	-0.00
ENV_SCORE ^c	0.00	-0.00	0.01***	0.00†
CVG_SCORE ^c	-0.00	-0.00	0.00	-0.00
YEAR	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
INDUSTRY	<i>Present</i>	<i>Present</i>	<i>Present</i>	<i>Present</i>
<i>Std. error</i>	0.47	0.46	0.48	0.55
<i>F</i>	14.893	13.214	12.658	16.112
<i>R square</i>	0.73	0.73	0.76	0.76
<i>Adjusted R square</i>	0.69	0.67	0.70	0.71
<i>N</i>	332	329	301	346

^aNotes: Dependent variable is reputation change - Significance levels are ***p<0.001; **p<0.01; *p<0.05; †0.10

^bAll regression models are significant for ***p<0.001

^cSince the hypothesised value is <0.005, the statistic reduces to Estimate/SE.

6.8. Discussion

This chapter empirically explored (1) which organisational characteristics influence the relationship between irresponsibility and changes in corporate reputation? And in what incidences do these characteristics play a role? (2) Does the organisation's history of corporate irresponsibility influence the relationship between irresponsibility and changes in corporate reputation? And in which contexts does this seem to be most apparent? (3) Finally, does financial performance shape the relationship between irresponsibility and changes in reputation? And in which circumstances does it do so? Broadly, the results in this study suggest that the firm's history of corporate irresponsibility and financial performance have different underlying effects on the relationship between irresponsibility attributions and reputation penalties.

In the first part of this empirical chapter, I theorised that firms with more populous histories of corporate irresponsibility would be more susceptible to reputation penalties in light of irresponsibility because, for such firms, events would be assessed by observers as part of an unfolding picture of bad behaviour, rather than isolated, 'one-off' events. Whilst my findings did not suggest this to always be the case, I presented evidence that irresponsibility is more significantly penalised for firms with an increased propensity for corporate irresponsibility. Interestingly, firms with the greatest histories of irresponsibility were distinctly vulnerable to environmental 'spills and pollution' events and observations of 'diversity and opportunity' wrongdoing. This was the first indication found in my empirical exploration of reputation penalties which suggested environmental and diversity issues to be impactful to reputations. This may suggest that, rather than being irrelevant to reputational assessments akin to the position taken by much of the finance and economics literature (see Engelen and van Essen, 2011), environmental issues appear harmful only for firms with already a significant history of irresponsibility. In turn, for other less 'irresponsibility prone' organisations, this category of environmental harm may be offset by an otherwise positive record in other areas. Again, an interesting result was that firms associated with the least history of irresponsibility were more susceptible to controversies of an 'ethical' nature. The 'ethics' category of events specifically captured those events with an underlying stakeholder wrongdoing, yet which were not adequately captured by other event classifications. This means that, fundamentally, 'ethics' events tend to be highly idiosyncratic and distinctive to a specific organisational context. An interpretation for this result is that ethics controversies may be considered more 'diagnostic' (Mishina, Block and Mannor, 2012) of the firm's character or capabilities because ethical events are so specific and unique to the firm and its context. A broad observation I make here is that those with most frequent associations with irresponsibility were more susceptible to categories of irresponsibility that under other circumstances, are seldom penalised. Whilst those firms with the least association with irresponsibility were most impacted by more idiosyncratic incidents, suggesting that attributions of irresponsibility are not made in isolation and that firms may be given the benefit of the doubt in most instances of irresponsibility, unless the event is highly unusual, in which case assessors may find more idiosyncratic forms of corporate irresponsibility diagnostic of the firm's 'true' nature (Mishina, Block and Mannor, 2012).

These results were again supported by my further analysis of 'harm types' – where firms categorized as owning the most populous histories of irresponsibility were significantly impacted by environmental events. In turn, firms with the least incidents of irresponsibility were associated with significant reputation penalties for the more idiosyncratic harms, such as civil liberties events. The subsequent analysis of alternative typologies of irresponsibility suggested that firms with less populous histories of irresponsibility were not associated with significant reputation penalties. However, the most frequent offending firms were associated with varying degrees of

reputation penalties for deceptive behaviour, discrimination and job losses. These results may serve as further evidence for the supposition that, rather than categories of irresponsibility such as deception, discrimination and job losses being irrelevant to reputational assessments, they may, in fact, only be significant for organizations with the most frequent observations of irresponsibility. This may imply that, rather than irresponsibility being assessed in isolation, assessors may draw on prior experience, observations and knowledge to infer causation for an events effect. In other words, rather than being inherently impactful, deception, discrimination and job losses may be 'the straw that broke the camel's back' in that, under normal circumstances, such issues may be largely overlooked in light of an otherwise 'acceptable' level of behaviour. However, after a substantial number of incidents linking the firm to acts of irresponsibility, deception, discrimination and job losses may then reveal a pattern of negative behaviour than would otherwise be tolerable.

After exploring the broad classifications and extant typologies of irresponsibility, this study empirically assess the framework of irresponsibility attributions offered by Lange and Washburn (2012). The analysis revealed some mixed evidence that the irresponsibility qualities 'effect undesirability', 'perceived culpability' and 'affected party non-complicity' were relevant to reputation penalties in the context of histories of irresponsibility. I conceptualised that firms most frequently associated with irresponsibility may be more susceptible to events with the irresponsibility characteristics outlined by Lange and Washburn (2012). I found that only events with few alternative causal agents (or a greater likelihood of perceived culpability) were associated with reputation penalties for firms with the most populous histories of corporate irresponsibility. Organisations with generally less propensity for irresponsibility were not associated with significant reputational effects when I tested the three core facets independently. This may illustrate that culpability, regardless of the severity of the event, is what is most relevant to reputational assessors when determining the assessment of firms with the greatest association with wrongdoing. When I tested for combinations of 'effect undesirability', 'perceived culpability' and 'affected party non-complicity' I found only evidence of reputational enhancements for firms with less frequent histories of irresponsibility. Perhaps somewhat counterintuitive, this result may indicate managerial effects or that other contingencies are at work.

In order to develop these theoretical ideas further, in the second part of this chapter I hypothesised that a strong financial position may largely offset the negative impact of irresponsibility on changes in corporate reputation. Yet again, my findings did not suggest that the general association with irresponsibility was accompanied by significant reputation penalties for firms with differing financial performance. Results do, however, suggest that firms with poor and below average economic performance were associated with more significant reputation

penalties for categories of irresponsibility such as 'wages and working conditions', 'spills and pollution' and 'ethical' controversies. This suggests that firms with lower financial performance may be more distinctly vulnerable to incidents that would otherwise occur without penalty. What is more, this result also suggests that more idiosyncratic events such as those captured by ethical controversies may render firms with below average financial performance most vulnerable.

Further, the analysis for the subsample 'financial performance' suggests that firms with strong financial performance may find reputational enhancements following certain instances of irresponsibility, such as 'child labour' and 'product/service quality' issues. Whilst I previously suggested that reputational enhancements following irresponsibility may be initially counterintuitive, irresponsibility can, in fact, be associated with financial benefits. These financial benefits may potentially be greater than the associated perceived drawbacks of damaging other aspects of reputation, such as perceptions regarding product/service quality. In other words, incidents such as child labour use may initiate the reflexive moral stance of irresponsibility in some reputational assessors; yet other more financially orientated assessors may only assess the organisation on the basis of whether its actions have financially beneficial consequences. For which, child labor use may have distinct cost advantages, particularly if the firm is also able to retain current levels of demand and/or operate this practice without legal ramifications. Having said that, my analysis of alternative extant typologies revealed fewer instances of significance for the types of harm caused, such as financial, physical, emotional, civil liberties and environmental harm as well as deception, discrimination and job losses. This may be because, irrespective of financial performance, these incidents are only indicative of irresponsibility when they are considered part of an unfolding history of irresponsibility, rather than inherently indicative of irresponsibility within themselves. The addition of frequency of irresponsibility in relation to financial performance may, together, be most indicative of reputation penalties and therefore may be a potential area of consideration for future research.

Finally, my analysis of the attribution framework proposed by Lange and Washburn (2012) did not show significant effects associated with individual constituent elements or combinations of 'effect undesirability', 'perceived culpability' and 'affected party non-complicity' in the main. That said, when the variables 'perceived culpability' and 'affected party non-complicity' were combined, firms with the lowest relative financial performance were associated with significant reputational enhancements. This may suggest that firms which are only somewhat relatively underperforming may be able to take advantage of the financial benefits associated with irresponsibility. However, when considering the results as whole, some extant typologies may more adequately capture the social judgements and impressions of reputational assessors. The 'broad categories' (i.e. product recalls, accounting controversies and environmental harms and

so on) appeared to capture more discreet aspects of '*what* stakeholders are assessing', when compared to the somewhat narrower attribution theoretic position proposed by Lange and Washburn (2012). This may be due to the 20 discreet categories of irresponsibility more narrowly capturing stakeholder judgements and impressions compared to the three aspects of irresponsibility characterised by effect undesirability, perceived culpability and affected party non-complicity. In this way, the three core attribution assessments offered by Lange and Washburn (2012) are perhaps limited. This said, the results of this study do find that the attribution perspective of 'path dependency' is highly relevant to reputation penalties in light of corporate irresponsibility.

Overall, the relative degree of scope of this research project led to 80 separate empirical models. Therefore, I illustrate an overview of the propositions and findings of this doctoral thesis in *Table 6.17* below. In the chapter to follow, I expand on the key research findings of this thesis and place them within the broader context of corporate reputation and irresponsibility research. Further, I elucidate some potential future research directions for reputation penalties research.

Table 6.17: Summary of findings

Hypotheses (Chapter 4)	Results	Comments/Other
<i>H4.1: There is no significant relationship between the presence of corporate irresponsibility and changes in corporate reputation.</i>	Supported	Model 2, Table 4.5
<i>H4.2: There is no significant relationship between broad classifications of irresponsibility and changes in corporate reputation.</i>	Partly supported	Model 3, Table 4.5. Exceptions being accounting, product and service quality, child labour
<i>H4.3a: There is no significant relationship between financial, physical and emotional harms and changes in corporate reputation.</i>	Supported	Model 4, Table 4.5
<i>H4.3b: There is a significant and negative relationship between environmental and civil liberties harms and changes in corporate reputation.</i>	Partly supported	Model 4, Table 4.5. Confirmed for civil liberties
<i>H4.4a: There is no significant relationship between cases of observed human injuries and changes in corporate reputation.</i>	Supported	Model 5, Table 4.6
<i>H4.4b: There is a significant and negative relationship between cases of observed human fatalities and changes in corporate reputation.</i>	Not supported	Model 6, Table 4.6
<i>H4.5: There is no significant relationship between cases of stakeholder deception, discrimination or job loss and changes in corporate reputation.</i>	Supported	Models 7,8,9, Table 4.6
<i>H4.6: When irresponsibility is associated with a single attribution component (effect undesirability [or] perceived culpability [or] affected party non-complicity) there is a significant and negative effect on changes in corporate reputation.</i>	Not supported	Models 10,11,12, Table 4.7
<i>H4.7: When irresponsibility is associated with more than two attribution components (effect undesirability, perceived culpability and/or affected party non-complicity) there is a stronger negative and significant effect on changes in corporate reputation than the presence of effect undesirability, perceived culpability or affected party non-complicity alone.</i>	Not supported	Models 13,14,15, Table 4.7
<i>H4.8: The relationship between irresponsibility and changes in corporate reputation is most significant (and negative) when event undesirability, perceived culpability and affected party non-complicity are all present.</i>	Not supported	Model 16, Table 4.7
Hypotheses (Chapter 5 – part 1)		
<i>H5.1a: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms in the first (top) and fourth (bottom) quartiles of reputation for social responsibility scores.</i>	Supported	Model 1, Table 5.2
<i>H5.1b: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms in the second (above average) and third (below average) quartiles of reputation for social responsibility scores.</i>	Not supported	Model 1, Table 5.2
<i>H5.2a: There is no significant relationship between broad categories and typologies of irresponsibility (including broad categories of irresponsibility, outcomes of irresponsibility, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.</i>	Mostly supported	Models 2-9, Table 5.2-5.5. Exceptions being child labour, earnings, public health, job losses

Table 6.17: Summary of findings (continued)

Hypotheses (Chapter 5 – part 1)	Results	Comments/Other
<i>H5.2b: There is a significant and negative relationship between broad categories and typologies of irresponsibility (including broad categories of irresponsibility, outcomes of irresponsibility, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.</i>	Partly supported	Models 2-9, Table 5.2-5.5. Exceptions being freedom of association, child labour, product and service quality
<i>H5.3a: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.</i>	Supported	Models 9-11, Table 5.6. Exception being a marginal effect of non-complicity in Model 11
<i>H5.3b: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.</i>	Not supported	Models 9-11, Table 5.6.
<i>H5.4a: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.</i>	Supported	Models 12-14, Table 5.7
<i>H5.4b: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.</i>	Not supported	Models 12-14, Table 5.7
<i>H5.5a: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms in the top (first) and bottom (fourth) quartiles of social responsibility scores.</i>	Supported	Model 16, Table 5.8
<i>H5.5b: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms that are above (second quartile) and below (third quartile) average in social responsibility scores.</i>	Not supported	Model 16, Table 5.8
<i>H5.6a: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for celebrity firms (top quartile of market capitalisation).</i>	Supported	Model 18, Table 5.10
<i>H5.6b: There is no significant relationship between observed irresponsibility and changes in corporate reputation for above-average (second quartile market capitalisation), below-average (third quartile market capitalisation) and non-celebrity firms (bottom quartile of market capitalisation).</i>	Supported	Model 18, Table 5.10
<i>H5.7a: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for celebrity firms (top quartile of market capitalisation).</i>	Partly supported	Models 19-25, Table 5.10-5.13. Highly supported for accounting controversies and marginally supported for civil liberties and fatalities

Table 6.17: Summary of findings (continued)

Hypotheses (Chapter 5 – part 2)	Results	Comments/Other
<i>H5.7b: There is no significant relationship between broad categories of irresponsibility and extant typologies (including; broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for above-average (second quartile market capitalisation), below-average (third quartile market capitalisation) and non-celebrity firms (bottom quartile of market capitalisation).</i>	Supported	Models 19-25, Table 5.10-5.13. Exceptions being earnings, taxation, anti-corruption, customer controversies, shareholder rights, insider trading, emotional harm
<i>H5.8a: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for celebrity firms (top quartile of market capitalisation).</i>	Partly supported	Models 26-28, Table 5.14. Supported for culpability
<i>H5.8b: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for above-average (second quartile market capitalisation), below-average (third quartile market capitalisation) and non-celebrity firms (bottom quartile of market capitalisation).</i>	Supported	Models 26-28, Table 5.14
<i>H5.9a: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for celebrity firms (top quartile of market capitalisation).</i>	Not supported	Models 29-31, Table 5.15
<i>H5.9b: There is no significant relationship combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for above-average (second quartile market capitalisation), below-average (third quartile market capitalisation) and non-celebrity firms (bottom quartile of market capitalisation).</i>	Supported	Models 29-31, Table 5.15
<i>H5.10a: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for celebrity firms (top quartile of market capitalisation).</i>	Not supported	Model 32, Table 5.16
<i>H5.10b: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for above-average (second quartile market capitalisation), below-average (third quartile market capitalisation) and non-celebrity firms (bottom quartile of market capitalisation).</i>	Supported	Model 32, Table 5.16
Hypotheses (Chapter 6 – part 1)		
<i>H6.1a: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).</i>	Not supported	Model 2, Table 6.2
<i>H6.1b: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).</i>	Supported	Model 2, Table 6.2

Table 6.17: Summary of findings (continued)

Hypotheses (Chapter 6 – part 1)	Results	Comments/Other
<i>H6.2a: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including; broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).</i>	Partially supported	Models 3-9, Table 6.5. Supported for spills and pollution, diversity and opportunity, environmental harm, deception, discrimination, job losses
<i>H6.2b: There is no significant relationship between broad categories of irresponsibility and extant typologies (including; broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).</i>	Partially supported	Models 3-9, Table 6.5. Exceptions being shareholder rights, insider trading, product and service quality, taxation, anti-corruption, ethics, physical and emotional harm, civil liberties harm
<i>H6.3a: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).</i>	Partially supported	Models 10-12, Table 6.6. Supported for culpability in Model 11
<i>H6.3b: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).</i>	Supported	Models 10-12, Table 6.6
<i>H6.4a: There is a significant and negative relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).</i>	Not supported	Models 13-15, Table 6.7
<i>H6.4b: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).</i>	Partially supported	Models 13-15, Table 6.7. Exceptions being effect undesirability and non-complicity and culpability in Model 14 and non-complicity in Model 15
<i>H6.5a: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with the greatest history of corporate irresponsibility (top quartile of history of corporate irresponsibility).</i>	Not supported	Model 16, Table 6.8
<i>H6.5b: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with above-average history of corporate irresponsibility (second quartile history of corporate irresponsibility), below-average history of irresponsibility (third quartile history of corporate irresponsibility) and for firms with the least history of corporate irresponsibility (bottom quartile of history of corporate irresponsibility).</i>	Supported	Model 16, Table 6.8. There is a marginal effect present for firms with above average HI (yet, the effect is small).

Table 6.17: Summary of findings (continued)

Hypotheses (Chapter 6 - part 2)	Results	Comments/Other
<i>H6.6a: There is no significant relationship between observed irresponsibility and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).</i>	Supported	Model 18, Table 6.10
<i>H6.6b: There is a significant and negative relationship between observed irresponsibility and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and low financial performance (fourth quartile of financial performance).</i>	Not supported	Model 18, Table 6.10
<i>H6.7a: There is no significant relationship between broad categories of irresponsibility and extant typologies (including: broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).</i>	Partially supported	Models 19-25, Table 6.11-6.13. Exception being the significant and positive effect of child labour, product and service quality
<i>H6.7b: There is a significant and negative relationship between broad categories of irresponsibility and extant typologies (including: broad categories of irresponsibility, harm types, human injuries, human fatalities, deception, discrimination and job losses) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).</i>	Partially supported	Models 19-25, Table 6.11-6.13. Supported for anti-corruption, accounting, wages and working conditions, spills and pollution, ethics
<i>H6.8a: There is no significant relationship between combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).</i>	Supported	Models 26-28, Table 6.14
<i>H6.8b: There is a significant and negative relationship combined facets of irresponsibility (namely, effect undesirability and/or perceived culpability and/or affected party non-complicity) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).</i>	Not supported	Models 26-28, Table 6.14. No significant effects were found
<i>H6.9a: There is no significant relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).</i>	Supported	Models 29-31, Table 6.15
<i>H6.9b: There is a significant and negative relationship between individual facets of irresponsibility (namely, effect undesirability or perceived culpability or affected party non-complicity) and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).</i>	Partially supported	Models 29-31, Table 6.15. Notable exception being the combined presence of culpability and non-complicity in Model 31
<i>H6.10a: There is no significant relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with strong financial performance (top quartile of financial performance).</i>	Supported	Model 32, Table 6.16
<i>H6.10b: There is a significant and negative relationship between the combined presence of effect undesirability, perceived culpability and affected party non-complicity and changes in corporate reputation for firms with above-average financial performance (second quartile of financial performance), below-average financial performance (third quartile of financial performance) and for firms with the lowest financial performance (bottom quartile of financial performance).</i>	Not supported	Model 32, Table 6.16. No significant effects were found

CHAPTER 7: DISCUSSION AND CONCLUDING REMARKS

7.1. Discussion

This PhD thesis explored the relationship between corporate irresponsibility and reputation penalties by attending to a comprehensive analysis of event characteristics as well as a number of contingencies that shape the attributions stakeholders make in light of irresponsibility. This study modeled for the effects of both extant typologies and broad categories of irresponsibility on changes in corporate reputation - as well as more recent theoretical offerings from the attribution theory perspective (Lange and Washburn, 2012). In the later empirical chapters, this study also explored the position that reputational assessments are 'path dependent' (Mishina, Block and Mannor, 2012). To test this theory, I explored the possible contingencies within the relationship between irresponsibility and changes in corporate reputation by adding various contextual information regarding stakeholders' prior beliefs (social responsibility reputation and celebrity status) and knowledge (history of corporate irresponsibility and financial performance). The aims of this study were threefold; (1) first, this research aimed to assess the relationship between distinct aspects of corporate irresponsibility and how stakeholders interpreted them (2) Second, to unpack how stakeholder's prior beliefs influenced the process of social judgements and impressions formation. (3) Finally, this thesis aimed to understand the extent to which stakeholders reevaluate firm reputations in light of stakeholder knowledge. Due to the relative scope of these research aims, here I go on to discuss the some of the key findings of my exploration of the relationship between corporate irresponsibility and reputation penalties.

In view of my overall findings, I find reputation updating appears to be only a relatively modest and infrequent phenomenon. Reputations therefore appear to be more resilient in the face of irresponsibility than previously thought, contradicting a long held assumption that reputation is a distinctly fragile asset (Koronis and Ponis, 2012; Minor and Morgan, 2011; Scott and Walsham, 2005) and also the more recent notion that assessors have a distinct cognitive bias towards negative information (Gordon et al, 2008; Hamlin, Wynn and Bloom, 2010; Hanson and Mendius, 2009; Mishina, Block and Mannor, 2012). Furthermore, irrespective of differences in firm attributes, incidents of a financial orientation – such as accounting controversies - appear to be more broadly impactful on reputations than social or environmentally oriented harms. Accounting irresponsibilities may undermine what may be considered the primary function of the organisation i.e. the accumulation and distribution of financial resources, which in turn, may have the most fundamental and far reaching effects on reputations. Additionally, another key finding of my research is that firm characteristics matter to the process of stakeholder attributions of irresponsibility. As a result, reputational penalties appear to be largely contingent upon - not only what firms '*do*' - but also, what firms are thought of '*being*'.

Subsequently, my results show firms with the most populous histories of corporate irresponsibility are particularly prone to reputation penalties for events which - for the most part – tend not to be penalised. These events include environmental harms and issues concerning stakeholder equality. This may imply that rather than irresponsibility existing in isolation, stakeholder assessments of the firm and its behaviour is a more dynamic process achieved through multiple observations over time. In this manner, stakeholders may gather a ‘sense’ of whether the firm is a responsible or irresponsible actor by assessing its behaviour in different contexts and towards various stakeholder groups. Finally, my research suggests that celebrity organisations are distinctly more vulnerable to reputation penalties when connected to acts of corporate irresponsibility in the media than non-celebrity firms. These findings are particularly interesting, as they largely contradict extant research which suggests celebrities to be shielded from the negative outcomes of irresponsibility (notably, Pfarrer, Pollock and Rindova, 2010). Consequently, my research finds evidence toward the seemingly more logical position that the enhanced capacity of celebrity firms to capture greater stakeholder attention may be a distinct disadvantage when the news about the firm is negative. Consequentially, these findings also imply a number of theoretical, practical and policy implications that will be discussed here in more detail.

From a theoretical perspective, my empirical exploration of the attribution framework offered by Lange and Washburn (2012) compared to several extant typologies, suggests a number of conceptual implications for future work. Though the results presented here were somewhat mixed, the attribution framework of irresponsibility presented by Lange and Washburn (2012) was less effective overall than the broad categories of irresponsibility employed by much of the market-penalties research (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). I attribute this to either a potential oversimplification of the model to only three core facets namely, ‘effect undesirability’, ‘perceived culpability’ and ‘affected party non-complicity’ (Lange and Washburn, 2012) or a number of possible contingencies that were not considered here. Relatedly, the overarching finding of my PhD research - that reputations are more resilient in the face of irresponsibility than previously thought - may imply a process of stakeholder attribution which is shaped by a number of mediators. I specifically explored the mediating effect of stakeholder perceptions of the firm’s social responsibility and celebrity status, as well as more objective assessments of the organisation’s history of past offences and financial performance. In this way, my research finds some strong evidence to suggest that reputation penalties appear ‘path dependent’, in that assessors’ prior beliefs tend to shape how current events are interpreted (Mishina, Block and Mannor, 2012). Even so, there may be other potential contingencies that have not been explored in this study; such as the firm’s perceived innovativeness, brand value, environmental performance, as well as aspects of the business model or pricing strategy. For instance, an

interesting line of potential future questioning could be; do stakeholders attribute social irresponsibility to firms offering luxury goods and services more so than to low-cost providers? And are there greater reputation penalties associated with these? In this way, future research should empirically explore the remaining contingencies within the stakeholder attribution process, of which authors have already conceptualised a number of potential mediators at length (see Lange, Lee and Dai, 2011).

Moreover, the broad finding that reputations appear more resilient than previously thought may also implicate a more complex process of stakeholder forgiving, forgetting or apathy which may account for why firms are often not penalised for irresponsible behaviour (Barnett, 2014). As the majority of reputation penalties research to date focuses on the immediate effects of irresponsibility on reputational change (e.g., Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005), my longitudinal research suggests that measures of reputational assessments may be distinctly time-sensitive, as over time, assessors may forgive or even forget the behaviour of the firm. In this way, measures of reputation taken immediately after the event has occurred may not be representative of the reputation penalties phenomena because individuals, particularly shareholders, tend to overreact to news of corporate irresponsibility in the short term (Gillet et al, 2010). By using a longitudinal research strategy, I observe a very different effect of corporate irresponsibility on reputational change. One which appears significantly less impactful than previously assumed by research that utilised stock market proxies of reputation penalties.

Relatedly, this research also implicates the potential importance of management of events. I highlight this point specifically because following the analysis, I found a number of incidents whereby the firm was associated with both corporate irresponsibility and reputational enhancements. Whilst this may appear counterintuitive, the crisis management literature has long suggested that firms which actively and successfully manage irresponsibility, may enhance their audience's perception of the firm through a mechanism of affirming organisational commitment to their social responsibilities (Kash and Darling, 1998; Mitroff, 1994; Ulmer, Sellnow and Seeger, 2013). In this way, future research should elucidate the ways in which this mechanism impacts the relationship between irresponsibility and changes in corporate reputation and most importantly, assess which of the potential management and communications practices most effectively achieve this?

Furthermore, it should also be pointed out that there may be some audience-specific effects associated with my research - in that the Fortune dataset utilised here evaluates only the views of managers and market analysts. Other stakeholders may respond differently to news of

irresponsibility. Future research should therefore assess the views of other relevant stakeholder groups when examining the effects of corporate irresponsibility on reputation penalties.

Even so, the finding that reputations are more resilient than previously suggested (Koronis and Ponis, 2012; Lange, Lee and Dai, 2011; Minor and Morgan, 2011; Scott and Walsham, 2005) has a number of practical implications. Whilst the management approach I advocated is one of caution, due to the 'non-reputation' penalties that may be associated with acts of corporate irresponsibility, celebrity organisations should be aware that the reputation penalties associated with corporate irresponsibility may be more substantial for them. Resultantly, celebrity organisations should be more proactive and prepared to allocate increased resources to the appropriate management of corporate irresponsibility, should the need arise. That being said, the main but controversial result of my research is that for the most part, irresponsibility is only infrequently associated with significant reputational impacts. This finding generally corroborates the many 'real-life' examples of corporate misconduct, where firms appear seemingly reputationally unharmed following widely publicised acts of corporate irresponsibility. From a policy and regulatory perspective, my research suggests that seldom do incidents which injure or fatally injure stakeholders, damage corporate reputations. The CSR literature has long stated that stakeholder expectations perform a 'quasi-regulatory' influence on organisations to behave more responsibly (Aguilera et al, 2007; Brammer, Jackson and Matten, 2012; Campbell, 2007). The logic being, that firms are encouraged to act responsibly in order to avoid the associated reputational costs of being found to have behaved objectionably. However, my results suggest that publics infrequently penalise firms for irresponsible behaviour. Therefore, the 'quasi-regulatory' mechanism performed by reputation as suggested in the institutional theory strand of CSR research, may only play a marginal role in discouraging bad behaviour. In this way, more appropriate regulation may be advisable to promote better corporate social performance as well as to discourage irresponsibility, particularly for incidents that injure or fatally injure stakeholders.

7.2. Conclusion

By situating assessors at the center of the reputation penalties process and by measuring reputational change over a significant length of time, this research contrasts the majority of extant works on reputation penalties which utilise short-run stock market declines as a proxy for reputation damage (Alexander, 1999; Engelen and Essen, 2012; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005). I proposed that the conclusions drawn by the extant body of literature may be distinctly inaccurate because many 'real-life' examples of corporate irresponsibility are seemingly not associated with the significant decline in reputation (Alexander,

1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009). More specifically, the thematic assumption that reputation is in some fundamental sense a fragile asset, jars with examples of corporate irresponsibility such as Apple's price fixing of e-books, the discrimination and exploitation controversies associated with Wal-Mart's operations, the human rights abuses associated with Primark's business model, the tax avoidance at Google, and so on. This doctoral thesis problematised the existing assumptions in the literature by exploring both alternative theoretical and methodological approaches to reputation penalties in light of observed irresponsibility. More specifically, this thesis models both extant typologies of irresponsibility and theories of attribution utilising large-scale survey data to longitudinally explore reputational change over time. The results of this empirical research suggest that irresponsibility may, in fact, only be associated with significant reputational decline under certain contextual circumstances.

My findings suggest that issues of a financial orientation, specifically accounting controversies, tend to be associated with broad reputational effects. Yet, after further empirical exploration of the contingencies of various firm characteristics - namely perceptions of social responsibility, celebrity status, history of corporate irresponsibility and financial performance - I found evidence to suggest that reputation penalties may be shaped by pre-existing firm attributes and stakeholder perceptions. In this way, my research lends support to the position that reputational assessments are 'path dependent' (Mishina, Block and Mannor, 2012) in that reputational assessments tend to be shaped by assessors' pre-existing beliefs and knowledge. My findings also highlight that celebrity firms may be distinctly vulnerable to reputational penalties in light of irresponsibility, in that enhanced celebrity status may be something of a 'double-edged sword'. More specifically, being a distinctly prominent firm helps garnering greater stakeholder attention for positive business activities (Wartick, 1992) and greater stakeholder criticality when associated with negative ones. This said, I found that only some types of irresponsibility were significant under certain conditions. Contradicting the view of much of the market penalties literature. I also find that environmental events are associated with significant reputation penalties for firms with extensive histories of irresponsibility. This suggests that, this form of irresponsibility tends not to be penalised, unless the firm has already a propensity for irresponsibility.

Moreover, my research implies that assessors may observe firm behaviour over time before arriving at negative conclusions about the firm's character and/or capabilities. This finding is in line with a long history of observation in social psychology, which suggests that seldom do individuals update their perceptions when confronted with contradictory evidence (Asch, 1946; Darley and Gross, 1983; Fryer et al, 2013; Lord, Ross and Lepper, 1979). This research explored incidents with potential for reputation updating to take place, though what I found

suggested that reputational assessments are fairly constant and that reputation updating may only be a marginal phenomenon. This result broadly conflicts with the majority of reputation penalties research to date (Alexander, 1999; Karpoff and Lott, 1993; Karpoff, Lott and Wehrly, 2005; Murphy, Shrieves and Tibbs, 2009), yet this corpus of research has, historically, abstracted the ‘perceiver’ away from the process of reputation penalties. By adding ‘the perceiver’ back into analytical focus, I offer a potentially more accurate depiction of reputation penalties, one which suggests reputation is not as fragile as previously understood.

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APPENDIX 1: SYSTEMATIC REVIEW RESEARCH METHODOLOGY

***Full details available on request**

Traditional literature review methods have been identified as owning numerous problems, including a high degree of subjectivity and lack of generalizability (Mulrow, 1994). I instead adopt an archival - systematic review methodology. It has been argued that the systematic review method enhances objectivity and quality in the literature review process (Tranfield et al. 2003). Although the methodology is not without flaws- such as the difficulties in synthesising data from different disciplines, the underrepresentation of books, and the production of large volumes of material to review (Pittaway et al. 2004) I felt that these drawbacks were compensated by having “clear goals, reproducibility, a broad and inclusive search based... incorporating a synthesized approach to organize the literature” (Walker, 2010; 358). The systematic review process broadly consists of a number of key steps; (1) identifying relevant literature and assessing its relevance and usefulness, (2) data extraction and processing, (3) and data analysis. I discuss the steps to my approach in turn.

Literature Identification

The first phase in the systematic review process is to identify relevant literature on both corporate reputation and crisis events. A primary obstacle arose from the breadth and contestation of both the terms “corporate reputation” and “crisis”. Corporate reputation is associated, and in many cases has been treated as substitutable, for a variety of other related phenomena. Rather than limiting the search solely to corporate reputation*, I included the related search terms; image, identity, prestig*, status, esteem*, and affect as a primary search term category. Throughout this paper I refer to ‘crisis’, ‘negative’, ‘harmful’, and ‘damaging’ events interchangeably. For the purposes of this paper I do not draw a distinction between these terms. We therefore articulate these terms to mean ‘any potential, current, or past event which threatens the corporate reputation of the firm’. My reasoning was to enable the systematic review process to broadly capture work related to corporate reputation during various negative contextual settings, examples of terms I included in my search include; crisis, negative*, harm*, damage*, stigma*, ruin*, corrupt*, malfeasance*. This process led to a total of 497 individual searches from the 7 primary and 71 secondary search terms identified. A link between each “Boolean” term was established by searching with an “AND” connecting each primary and secondary term.

I applied the search strategy outlined above initially to the databases; *Web of Science* and *EBSCO Business Source Premier*. The *Web of Science* was chosen because “it is one of the most comprehensive databases incorporating research from numerous disciplines” (Walker, 2010: 359). However, this database does not include the subject specific journal *Corporate Reputation Review* and also the relevant publication *Business & Society*. Therefore, *Business Source Premier* was employed in order to capture any relevant literature that may have otherwise been overlooked. In addition, I also took measures to ensure I had captured the maximum potential articles for analysis, including manual searches in the databases *Google Scholar* and *ProQuest*. This strategy provided over 30,000 pieces of evidence for my initial sample.

Refining this work began firstly by removing the duplicate literature from my consideration set. This removed nearly a third of the total articles from my database. Secondly, I identified work that had no relevance to my research. More specifically, I refined the sample on the basis of the following exclusion criteria; (1) papers focused on anything other than an organisational crisis or negative events, (2) literature which defined the primary search term as anything other than broadly a socially constructed phenomenon assembled from stakeholder evaluations of the firm, (3) used the primary search term tangentially, and (4) literature in which the primary search term was not the focal interest of the study. Leaning on the side of inclusion, the criteria was tested on 100 articles to ensure agreement and reliability of exclusion. The remaining of the approximately 8,000 papers was then reviewed in more detail. I then employed the criteria outlined above to an examination of each remaining paper’s title, abstract and key words. This assisted the discovery of irrelevant topics, such as the reputations of individuals, and stimulatory treatment of reputation in game theoretic conditions. If more information was necessary to make a judgment, I went further into the article itself. This stage of the research, whilst labour intensive, resulted in 169 papers which specifically addressed my line of inquiry.

Data Extraction

The second step of a systematic review involves extracting and processing the data. Tranfield (2003) proposed that this step should involve the development of a standardised process to reduce author subjectivity. In light of this, I developed a detailed data-extraction form. The pro forma included a mixture of quantitative and qualitative coding variables, ranging from those assisting the identification of basic information, such as the name of the author(s), the title, year of publication, *Google Scholar* citations, to the more specific attributes of the literature itself, for instance; the epistemological orientation of the paper, the broad methodological approach, the types of stakeholder(s) studied, and so on. I developed the coding framework with a number of key objectives in mind; I wanted to reflect the nature of corporate reputation and harm events in

use, including the numerous theoretical components of the phenomena, as well their operationalization, results, and any prescriptive managerial advice. I therefore developed the pro-forma after extensive consideration of these elements. This resulted in a detailed 901 pages long Microsoft Excel document consisting of 146 quantitative and qualitative variables.

Data Analysis

Once a primary grid was constructed, I was in a position to begin various analyses. Both quantitative and qualitative features were systematically extracted from the sample. Where the coding process had identified numerical features, a quantitative analysis of frequencies and patterns were employed for comparison. This method assisted the research in reflecting the core features of the extant literature. However, given the aims of the research was both to consolidate knowledge regarding the specific management practices of reputational issues during negative events, and also to highlight the underlying assumptions of the literature, I designed-in a level of flexibility, allowing the researchers to extract salient features of the literature as they developed.

APPENDIX 2: OVERVIEW OF REPUTATION PENALTIES LITERATURE

Figure 1: Publications by Year

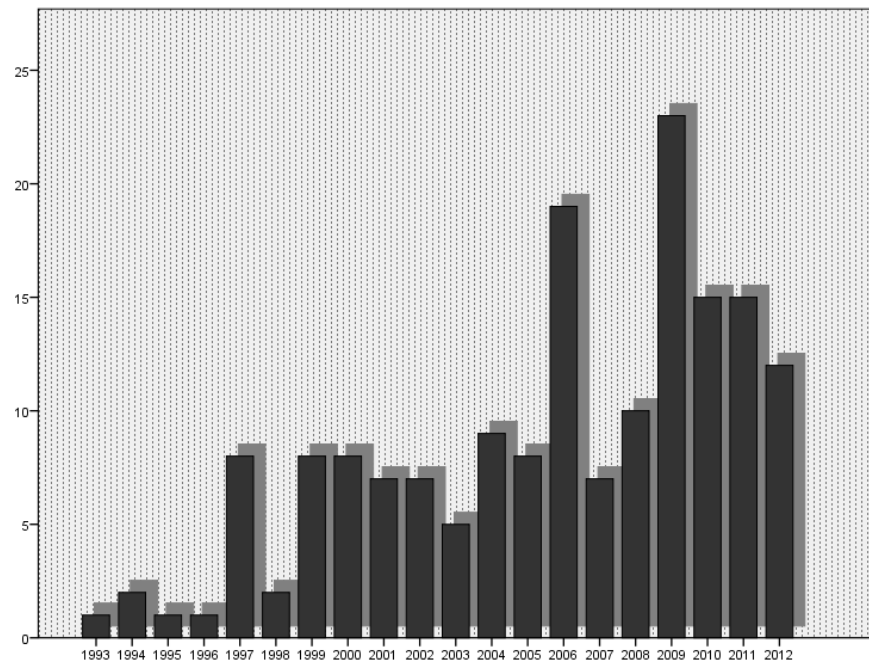


Table 1: Frequent Publications

Position (joint position)	Publication	Frequency	Percentage (%)
1 (1)	<i>Corporate Reputation Review</i>	27	16
2 (2)	<i>Journal of Public Relations Research</i>	9	5.3
3 (2)	<i>Public Relations Review</i>	9	5.3
4 (3)	<i>Journal of Business Ethics</i>	6	3.6
5 (3)	<i>Strategy & Leadership</i>	6	3.6
6 (4)	<i>Journal of Management Studies</i>	4	2.4
7 (4)	<i>Journal of Business Strategy</i>	4	2.4
8 (4)	<i>Reputation Capital</i>	4	2.4
9 (5)	<i>Organization Science</i>	3	1.8
10 (5)	<i>Journal of Communication Management</i>	3	1.8

Figure 2: Contribution of the literature overview

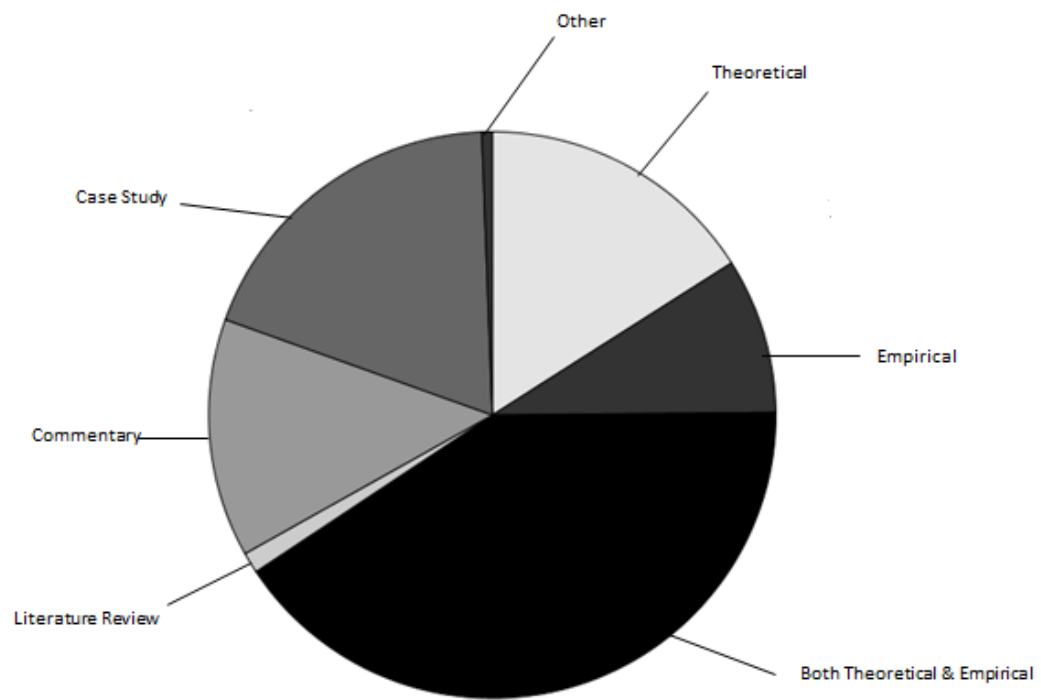


Table 2: Examples of the Thematic Assumption that Reputations are Fragile

Quotation Type	Author(s)	Exemplar Quote(s)
Explicit	Koronis & Ponis, 2012: 283	<i>"Given the fragile nature and complexity of the reputation concept..."</i>
	Scandizzo, 2011: 46	<i>"Events can tarnish reputation" –</i> <i>"An otherwise trivial event has a hugely negative impact"</i>
	Minor & Morgan, 2011: 40	<i>"...reputation can be a fragile thing."</i>
	Schwartz, 2000: 4	<i>"It takes a long time to build a reputation, but it can be destroyed overnight in a single event."</i>
	Eccles, Newquist & Schatz, 2007: 104	<i>"organisations are especially vulnerable to anything that damages their reputations" –</i>
	Eccles, Newquist & Schatz, 2007: 110	<i>"a company's reputation is also vulnerable..."</i>
	Raithel, Wilczynski, Schloderer & Schwaiger, 2010: 390	<i>"reputation is very fragile because it can be damaged very easily overnight (Hall, 1993)"</i>
	Bebbington, Larrinaga & Moneva, 2008: 339	<i>"At the same time, Scott and Walsham (2005,p.312) note that reputation takes "time to create, cannot be brought and is easily damaged"</i>
	Hayes & Patton, 2010: 37	<i>"reputation can be severely damaged in a few days as a result of an unexpected crisis."</i>
	Sims, 2009: 455	<i>"Executives say it takes 20 years to build a positive reputation, but you can destroy it in 30 s" (Botelho, 2004). Gaines- Ross (2008a) has recently echoed this view in suggesting that the recent corporate crises show that a company's reputation can be destroyed in seconds."</i>
Implicit	Hoeken, 1998: 51	<i>"Negative publicity in newspapers can cause severe and lasting damage to a company's corporate reputation."</i>
	Garcia & Hart, 2007: 51	<i>"company reputations are often just one determined blogger away from crisis."</i>
	Tucker & Melewar, 2005: 377	<i>"Advances in technology and communication have rendered corporate reputations more vulnerable than ever to criticism and attack..."</i>

Table 3: Examples of the Thematic Assumption of Significant Performance Deficiencies

Quotation Type	Author(s)	Exemplar Quote(s)
Explicit	Neufeld, 2007: 38	<i>"Incurring reputational damage can be fatal"</i>
	Neufeld, 2007: 40	<i>"Negative risks lead to loss of reputation, loss of market share, financial losses and, sometimes, as in the case of Arthur Andersen, for instance, the demise of the company"</i>
	Thießen, 2009: 215	<i>"Once lost, rebuilding reputation is more like a marathon than a sprint, and it may take many years to recover."</i>
	Thießen, 2009: 220	<i>"recovering from crises that hit reputation takes time – often many years"</i>
	Resnick, 2004: 30	<i>"It is clear that public missteps resulting in the loss of confidence and trust among investors, analysts, customers or other stakeholders are understood to be potentially devastating to the long-term survival of a business"</i>
	Eisenegger, 2009: 16	<i>"positions of power sooner or later become fragile once reputations sustain significant damage."</i>
	Firestein, 2006: 25	<i>"Stock price can always come back. Business strategies can always be changed. But when an organization's reputation is gravely injured, its recovery is difficult, long-term, and uncertain. A risk to its reputation is a threat to the survival of the enterprise."</i>
	Gaultier-Gaillard & Louisot, 2006: 425	<i>"Reputation is an intangible asset that directly affects the market value of the firm."</i>
	Gaultier-Gaillard & Louisot, 2006: 430	<i>"'bad reputation' has negative consequences and a downside impact on the value of the firm to stockholders."</i>
	Pekka, 2010: 44	<i>"The loss of reputation affects competitiveness, local positioning, the trust and loyalty of stakeholders, media relations, and the legitimacy of operations, even the license to exist."</i>
Implicit	De Blasio, & Veale, 2009: 75	<i>"Organizational crises can have devastating consequences to reputation, an important, intangible asset that can threaten an organization's long term viability."</i>
	Fombrun, Gardberg & Barnett, 2000: 87	<i>"damaged reputation manifests itself in impoverished revenues, decreased ability to attract financial capital, and reduced appeal to current and potential employees."</i>

APPENDIX 3: LexisNexis search terms for EVENT CATEGORIES

Table 4: LexisNexis search terms for events

EVENT TYPE	KEY WORD SEARCH TERMS
EVENT 1_Management compensation	executive pay or executive compensation or executive salaries or executive bonuses or bonus or bonuses or compensation package and controversial or controversy or scandal or scandalous or unethical or giant or uproar or outcry or anger or angered or attacked or attacking
EVENT 2_Shareholder rights	investor rights or investors right or shareholder rights or shareholders rights or shareholder activism or shareholder revolt or shareholders revolt or shareholders angry or shareholders angered or rights of shareholders or shareholders fight or feud with shareholders or shareholder feud or feud with investors or investor feud
EVENT 3_Earnings EVENT 4_Insider trading	insider trading or insider dealing or insider deals or insider dealings or stock options backdating or backdating stock options
EVENT 5_Accounting	accounting fraud or fraudulent accounting or accounting controversy or false accounting or cooking the books or creative accounting or misrepresentation of accounts or stock options investigation or investigating stock options or stock options backdating or backdating stock options
EVENT 6_Customer/Consumer	consumer complaints or customer complaints or consumers complained or customers complained or consumers deceived or customers deceived or consumer controversy or overcharging customers or overcharging consumers or overcharging customers or overcharging consumers or angry customers or consumer anger or consumers angry or customers angry or price hikes or price hike or exploiting customers or exploiting consumers or consumer rights customers injured or consumers injured or customers hurt or consumers hurt or consumers concerned or customers concerned or consumer concerns or customer concerns or customers health or consumer safety or consumers safety or customer safety or customer safety or personal injuries or personal injuries or "product safety issue" or "product safety issues" deceptive marketing or deceptive adverting or consumer deception or customer deception or deceived customers or deceived consumers or false advertising or false marketing or labelling or label or misleading or warn consumer or warn customers or product warning
EVENT 7_Product and service quality	poor service or poor quality or quality issue or quality issues or product quality or products quality or unnecessary product or unnecessary products or fault or faulty or unsafe
EVENT 8_Spills and pollution	pollution or spill or spills or environment and accident or cleanup or clean up or clean-up or harm or damage or harmed or damaged or catastrophe or catastrophic or controversy or scandal or litigation or sued or suit or violated or violations or violating or violates or breach or breaches or breached or investigation biodiversity or wildlife and litigation or accused or damage or harm or harmed or damaged or disaster or crisis or controversy or controversial or litigation or suit or sued or suing or settlement or settle or settles or devastation or devastated
EVENT 9_Product recalls	product recall or defective product or faulty product or dangerous product or product dangerous or voluntary recall or voluntarily recalled or issues a recall or issued a recall or issuing a recall
EVENT 10_Intellectual property	intellectual property or infringement and litigation or sued or suit or settlement or settle or settling or court or suing or appeal or appealed or accused or accusing or accuse or dispute
EVENT 11_Public health	toxic or public health or health concerns or safety concerns or public safety or personal litigation or personal damages
EVENT 12_Taxation	tax fraud or tax evasion or evading tax or evaded tax or unpaid tax or unpaid taxes or "not paid tax" or "has not paid its taxes"
EVENT 13_Anti- corruption	anti-competition or antitrust or anti-competitive or anticompetition or price fixing

Table 4: LexisNexis search terms for EVENT CATEGORIES (continued)

EVENT TYPE	KEY WORD SEARCH TERMS
EVENT 14_Human rights	controversy or controversial or sued or suit or suing or settled or settles or settle or unethical or unethically or fraudulently or fraud or stolen or stole or bribe or bribed or allegations or unlawful or illegal or illegally or distrust or immoral or immorally or deceived or deceive or deceiving or fined or deception or manipulated or scandal or investigated or probe or investigation or crime
EVENT 15_Child labour	Child labour or child labor or exploit or exploitative or underage or minimum age or "child labour violations" or "child labour questioned" or "child labor questioned" or endangered children
EVENT 16_Freedom of association	Right to join a group or right to leave a group or right to take collective action or right to pursue interests of member or freedom of association violated or right to join a group violated or peaceful protest or right to protest
EVENT 17_Diversity and opportunity	social exclusion or socially exclusive or social exclusivity or excluded groups or excludes groups or diversity or discrimination or discriminated or discriminate or discriminates or excluded or excludes or inequality or treated unequally or treated unfairly
EVENT 18_Wages and working conditions	workers wages or employees wages or workers earnings or employees earnings or employees salaries or workers salaries or working conditions or employee compensation or worker compensation or employees compensation or workers compensation or workers protested or worker protest or employees protested or employee protest or strike or striking or strikes or redundancies or redundancy or job cuts or cut number of jobs or axed or trade union or trade unions
EVENT 19_Employee health and safety	employee injuries or employee injured or employees injured or workers injured or worker injured or employees die or employees died or workers died or workers die or employees hospitalized or workers hospitalized or employee hospitalized or worker hospitalized or employee compensation or worker compensation or safety violations or violated safety or safety scrutinized or "health and safety violations" or "health and safety questioned" or "health and safety incident" or workplace accidents or endangered workers or endangered workforce or endangered employees
EVENT 20_Ethics	unethical or scandal or controversy or controversial or controversially or fraud or fraudulent or fraudulently or deception or deceived or manipulated

APPENDIX 4: LexisNexis search terms for HARM typologies

Table 5: Search terms for HARM typologies

SECONDARY (HARM EVENTS)		
Crisis	Dishonest*	Ill-treat*
Crises	Mistrust*	Shatter*
Harm*	Distrust*	Undermine*
Hurt	Outrage*	Tarnish*
Damag*	Suspici*	Victim*
Negative*	Threat*	Wound*
Wrong-doing*	Scandal*	Distort*
Bad*	Prevent*	Foul*
Accident*	Injure*	Recall
Revelation*	Abuse*	Weak*
Violen*	Misuse*	Wrong*
Breach*	Cheat*	Malevolen*
Blame*	Discredit*	Malfeasan*
Misconduct*	Mistreat*	Shame*
Misdeed*	Tamper*	Break
Fraud*	Misrepresent*	Broke*
Deception	Offend*	Benevolen*
Deceive*	Prosecut*	Malic*
Accuse*	Ruin*	Repercussion*
Accusa*	Shock*	Consequenc*
Violat*	Spoil*	Sabotage*
Catastroph*	Disaster*	Urgen*
Restatement	Loss*	Detriment*
Risk*	Penalt*	